FEARLESS - FORWARD LOOKING - FORTNIGHTLY

The MAGAZINE of WALL STREET

Vol. 18 SEPTEMBER 2, 1916 No. 11

FORTNIGHTLY ILLUSTRATED

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THE OUTLOOK

THE rapid rise of prices during August has wrought a great change in the general feeling among investors. Such a change nearly always accompanies a definite reversal of the trend of the market and does not in itself afford any sound reason to expect a continuance of the rise, but in this instance there has also been an important change in the conditions underlying the market.

Influence of the Allies' Loan

WITHOUT any question the principal cause of the advance is the flotation of the Allies' $250,000,000 collateral loan. This has affected the situation from a number of different angles.

First, it has reassured the doubtful as to the continuance of the Allies' large purchases of munitions and supplies from this country. Otherwise a loan of this size would not be necessary. It is clear that the war is to be carried into 1917 and that no definite limit can be set to its continuance, and equally clear that so long as it continues Europe will be a heavy buyer of our steel, copper and foodstuffs, and a considerable buyer of munitions and other miscellaneous supplies. There can be no question, of course, as to the beneficial effects of such purchases upon our industrial situation.

Second, since the collateral behind this loan is to permanently include $100,000,000 of American securities—in addition to another $100,000,000 of Canadian securities and an equal amount of other neutral securities—the possible sales of foreign-held American stocks and bonds in this market are considerably reduced. As a matter of fact, much more than $100,000,000 of American securities is now included in the collateral, but it is expected that the surplus above that figure will later be withdrawn and other securities substituted. Quite naturally, the bull interests have accepted this measure of relief with much thanks and have felt renewed courage in their efforts for a higher level of prices.

Third, there is a wide-spread feeling, based on past experience, that the great banking interests will not look with disfavor on advancing prices during the period covered by the re-sale of this $250,000,000 of bonds to private investors. A general attitude of optimism nearly always accompanies a large bond offering in which the leading financial interests participate. That is shrewd salesmanship—just as certain publications maintain a continuously encouraging tone in the investment columns which run alongside their financial advertising. It is natural that sellers should wish to keep the public in a buying mood.

Fourth, the Allies will naturally do their best to keep our money market easy so long as they are borrowing from us; and owing to their large holdings of gold and to British control of gold production in the Transvaal and in Australia, the Allied Powers can exercise great influence over our money and credit posi-

tion. Their continued shipments of gold to us are part of a carefully laid plan which covers our money market as well as their own.

Each of these four principal effects of the loan, points in the same direction —toward higher prices.

War Profits

ANOTHER strong bullish influence, which has been accumulating and gaining force for some time, is the more definite knowledge of the amount of war profits likely to be made by the various industrial companies which are participating in this class of business. In hardly a single case have the war profits shown in actual monthly, quarterly or annual reports, proved disappointing. In a number of cases there has been some disappointment because the war profits have failed to appear in the surplus account as soon as impatient investors wanted them to, or because there was delay in the filling of orders owing to exacting inspection or difficulty in getting materials promptly; but in nearly all cases when the business has actually been completed the profits realized have equalled the preceding estimates which have given to the public from any responsible source.

Take the annual report of the American Car & Foundry Co., for instance. The year's results were disappointing; but it was soon learned that the report included no war profits whatever because the war contracts on which the company was working had not been completed. Investors in the war stocks have encountered delay, but in few, if any cases, have the real profits proved to be materially below the estimates.

It is this, as well as the good prospect for further orders, that has been reflected in better prices for industrial stocks.

The Railway Situation

WALL Street has refused to become excited over the conflicting reports as to the strike situation that have kept the Washington wires hot day after day. Doubtless this is partly because of the tradition that it never pays to sell on strike news and partly because the idea of a country-wide railway strike has seemed to the majority of investors practically inconceivable. The President has the whip hand in any such controversy because of his influence on prospective legislation affecting the roads on the one side, and his power to protect the transportation of U. S. mails and interstate commerce on the other.

With their present income, most of the roads could stand the proposed increase in wages without serious difficulty, and that fact, too, has tended to prevent investors from rushing to sell their railway stocks. As to the more distant future the case is quite different, for there can be no reasonable doubt that the present big railroad earnings are temporary. But that future is too distant and dependent upon too many other factors to be discounted in stock prices now.

As we go to press it appears that the President will maintain his stand on the 8-hour question, and there is loud talk of Government operated lines in the event of a general strike.

Gold Supplies and Loans

ATTENTION has been often called to the fact that our bank loans have increased approximately $2,500,000,000 in the last two years; that is, the actual increase in the loans of all the National Banks in the United States has been about $1,250,000,000 and it is assumed that the increase in the loans of trust companies, state banks, private banks, etc., is about equal to that of the National Banks.

These figures look staggering, but the fact is that the gold base on which these loans are founded has increased at a rate which is even more rapid in

proportion. The total gold supply in the country has risen about $660,000,000 in the two years. Some of this gold has gone into the U. S. Treasury, but the supply outside the Treasury has gained approximately $625,000,000. The increase in bank loans which could be sustained by this gold can not be estimated at less than six times the amount of the gold, since the highest reserve required of any class of banks is 18 per cent and part of that may consist of other items than gold.

It is quite conservative, therefore, to say that the gain in our gold supplies would permit an increase of $3,750,000,000 in bank loans, against an actual increase of $2,250,000,000. Our loans could be expanded another $1,000,000,000 before the danger point would be even in sight.

Even then it is hard to see how any real danger point could be reached, since any considerable advance in interest rates would bring into the money markets a supply of currency notes issued against rediscounted commercial paper. In other words, the limit of loan expansion in future will be elastic instead of being definitely fixed as heretofore.

The United States is being called upon to supply capital much faster than ever before—in fact, more than 50 per cent faster than in our biggest previous year; but on the other hand we are accumulating capital rapidly, and we have still available a volume of additional credit which can be substituted in large measure for capital, so far as the flotation of securities is concerned.

Copper and Steel

THE metals and the metal stocks are now in the limelight because of the continual big buying of the Allied powers. The general level of steel prices has rallied from its moderate reaction and is again near its highest point. New business is constantly being placed and it is assumed that the volume of unfilled orders is not as yet showing any material decline from its high record point.

The copper situation is now two-sided. The price of the metal has advanced two cents from the July level and is only about two cents a pound below the previous top. Hardly any copper is now available for September delivery. The European visible supply is still decreasing and various European governments are reported as negotiating for further supplies. This country consumed 50 per cent more copper in 1915 than in 1914 and consumption appears to be still on the increase.

On the other hand production is being tremendously stimulated by the high prices. In 1914 the world's production was 893,000 tons. The present rate of production cannot be much short of 1,200,000 tons. The consumption of copper for ordinary industrial purposes is relatively small—it is the war that is causing the demand for copper, directly and indirectly. Production will go on increasing as long as prices maintain the present level, while it is hardly credible that consumption can much exceed the present rate.

The Market Prospect

A CONTINUATION of the present upward trend of the market seems probable. The prolonged decline from the high prices of last fall resulted in the building up of a considerable short interest, and while many of the shorts have covered with the development of a stronger tone in the market, some are still holding their position. The big drop in the war stocks has brought in buying of a more conservative character than that which occurred in the wild speculation of last year. The predicted big earnings for all classes of stocks have been for the most part substantiated by actual results. In general, the Street believes that the unsafe technical position of last fall has been corrected and that, since there appears to be little likelihood of any early termination of the war, further large profits are in prospect for many companies.

Possibilities in Steel Common

The Great Rise in 1915 on Expanding Earnings; the Distributive Period Which Followed, and the Present Market Position

By THOMAS L. SEXSMITH

"A NEW high for Steel Common," echoed the Street, as with one breath, on the afternoon of Monday, August 21, when that favorite of the great majority of the trading public, under full head of steam, pushed its way resolutely through the old record high price established during the closing phase of the great bull market of 1909, and which had for seven years remained impregnable. Starting at its final minimum price at 38, touched on the first day of February, 1915, after the last remnant of the old 5 per cent. dividend had been passed by action of its directors, the stock began a strong and insistent advance in price which covered a period of eleven months, and extended altogether fifty-one and one-half points. In all that notable climb but two reactions of moment occurred, one of nearly thirteen points during May, at the time of the Lusitania disaster, and another of less than ten points during August on more war scare developments. Both reactions were sharp, running but a few days each, and the recoveries, especially from the latter break, were rapid also.

It is interesting to note that the month immediately following the passing of the dividend on the common issue, brought a statement of earnings which quite clearly indicated the turning of the corner towards better prospects for the company. Earnings for the month of January established a new low point since the formation of the great steel merger in 1901, totaling $1,687,150. The following month, February, yielded net earnings of $3,638,578, an increase of over 100 per cent. That was the first gleam of actual encouragement to be given the steel industry since 1912, and proved to be highly prophetic of the radical turn for the better which was to come within the following twelve months.

From Depression to Prosperity

From record depression to a new high water mark of prosperity in such a relatively short time, is something new and strange in our economic history. That an industry so basically founded, and heretofore so ponderously methodical in its swings from peak to peak, should undergo so radical a change within a single year was unthinkable to the most expert authorities on economic conditions. Yet this change came about, and overnight it seemed, from a state of complete inertness the steel mills of the country broke into an epoch of feverish activity. Unfilled tonnage figures piled up by leaps and bounds, and earnings and advancing prices for steel products kept apace.

For nine months the course of the price trend of the stock, Steel Common, followed along with the startling improvement in the industry. Over fifty of the total advance of fifty-one and one-half points were made during the first nine months following the low point at 38. By the first of November the rise in Steel Common had practically reached its pinnacle, the fractional figure 88⅞ being touched on that day. Yet neither monthly earnings nor unfilled tonnage figures had reached their apex up to that time, hardly having arrived at the half-way point of the ultimate improvement to date.

Wall Street is not lacking in imagination. Perhaps foresight is a more fitting term for its most valuable asset. It is the keen foresight of the shrewdest operators in the Street, which applied to an intensive analysis of conditions as they exist, makes it possible for them to arrive at usually correct estimates of probable condi-

tions six months to a year in the future. It is on such estimates that the more important market operations are based.

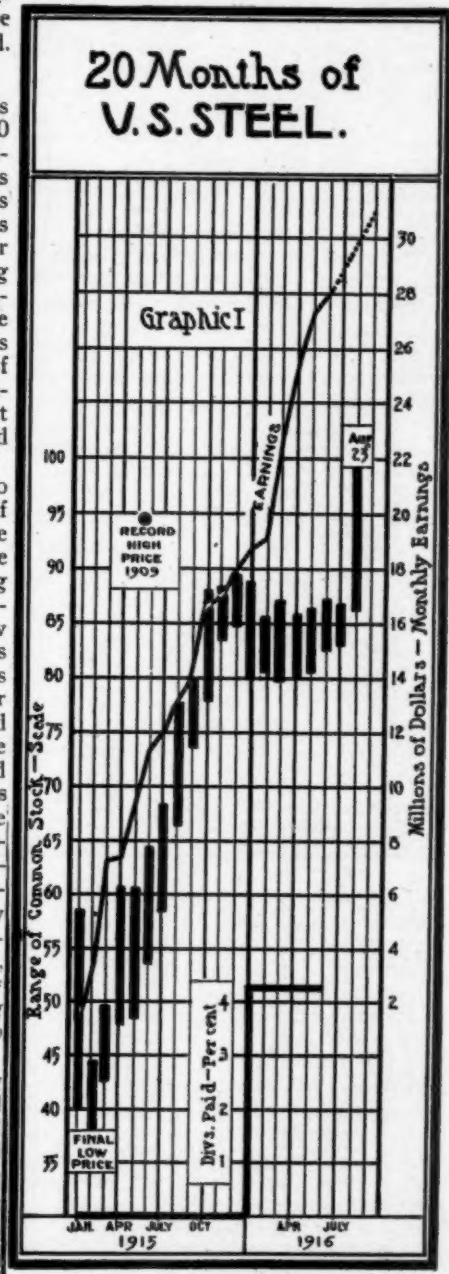
Tremendous Trading Activity

During that time daily transactions in Steel Common approached 150,000 shares frequently, and on 24 days exceeded that figure. Total transactions in that single stock for the five months ran into the surprisingly large figures of approximately 13,000,000 shares, or abut 26 times the entire outstanding common stock issue. Obviously transactions on such a stupendous scale after an advance of many points was the sign-post pointing to a period of distribution—profit-taking in an excited market by those who had bought at a time when both the industry and the stock were at low ebb.

From the low point in February to the mean price for the five months of distribution there was a net distance of 40 points. Establishing a mean price between the high of the re-opening day, December 15, and the low subsequently made, the advance from low to high mean figures (average prices of accumulation and distribution) was 30 points net. Almost any investor would consider 30 points a rather good profit to be taken within less than one year's time. However, the time elapsed was somewhat longer on average as the three final days of business before the exchange closed [at the outbreak of the European war] properly belongs in the period of accumulation. Six hundred and fifty thousand shares were thrown overboard during those three trying days, and none but the strongest interests and a few unterrified bargain hunting investors had the necessary courage to buy anything at that time.

Under normal conditions the long distributive period described would practically insure the return of Steel to near the fifty price figure again, and doubtless it was very near that figure that those who cashed in large profits around the tops of the advance had planned to buy back their former holdings.

But we have not been experienc-



ing normal conditions since the epoch of the European war began, and all former figures and standards need revision to conform with actual, existing conditions.

Since making the high of 1915 at 89½ on December 27, the largest reaction has been fractionally under ten points. That was not encouraging to bearish operations, and viewed from a technically manipulative standpoint the stock never left the bullish position. Until August 16 it remained indifferently dull, with comparatively strong undertone, within the ten-point price range between the figures 80 and 90 for the extraordinarily long period of ten months. During the last three of the ten the range limits were reduced to five points midway between the two extremes of the larger range. A second range like that, smaller and located around center of the first range, is a favorite way of preparing for large advance.

Once in January, once in March, and again in April Steel touched the lower figure of its larger range, 80, each time rallying quickly away from it. The last time, after a recovery of four points it returned, in two week's time, to fractionally near the full figure 80, but bounded quickly away more than two points in the same day, and on the following trading day was up five points. An impressive display of technical strength, which left little doubt of its intention to remain clear of the figure 80 in the future. During the months of June and July two higher supporting bases were established around the 83 price line, and the final dip came in the middle of the month of July, a favorite time to inaugurate a change in manipulative tactics.

Lessening Sales on Declines

A significant feature of the work done in Steel Common during recent months was the tendency of volume of transactions to fall off sharply at each return to the low at 80. On January 31, the first day it touched that figure on its decline from the high of December, nearly 160,000 shares were traded in. On the second return in March, slightly less than 110,000 shares changed hands, and on the third time down, in April, only 68,000 shares came to market. Liquidation lessened on each attempt to make lower price levels. Even short sales made well up could not be covered with profit.

It was becoming increasingly evident that recent buyers of Steel Common, whether outright owners or marginal holders, would not give up their holdings. On the contrary, they were anxious to buy more at cheaper figures. Three times had powerful bear forces attempted to start a dislodging movement, with diminishing results each time. All kinds of bearish news was marshalled to their assistance. War with Mexico was almost inevitable, break with Germany sure, a second ticket was being nominated at Chicago, yet in spite of all overhanging

BETHLEHEM STEEL

Surplus at End of Year 1915		**$19,821,949**
Outstanding. Common Stock	**$14,862,000**	
Outstanding Preferred Stock	**14,908,000**	
Outstanding Total Stock Issue	**$29,760,000**	
Ratio Surplus to Stock, 20 to 30, or 66%.		

U. S. STEEL

Surplus Account at End of Year 1915		**$180,025,329**
Outstanding Common Stock	**$508,302,500**	
Outstanding Preferred Stock	**360,281,100**	
Outstanding Total Stock Issue	**$868,583,600**	
Ratio Surplus to Stock, 18 to 87, or 22%.		

adversity, Steel Common could not be driven below 80. When bad news of grave character can no longer be used effectively in a movement against prices, underlying technical stability is indicated. And so the attempt to "break" Steel was abandoned.

What Won't Go Down May Go Up

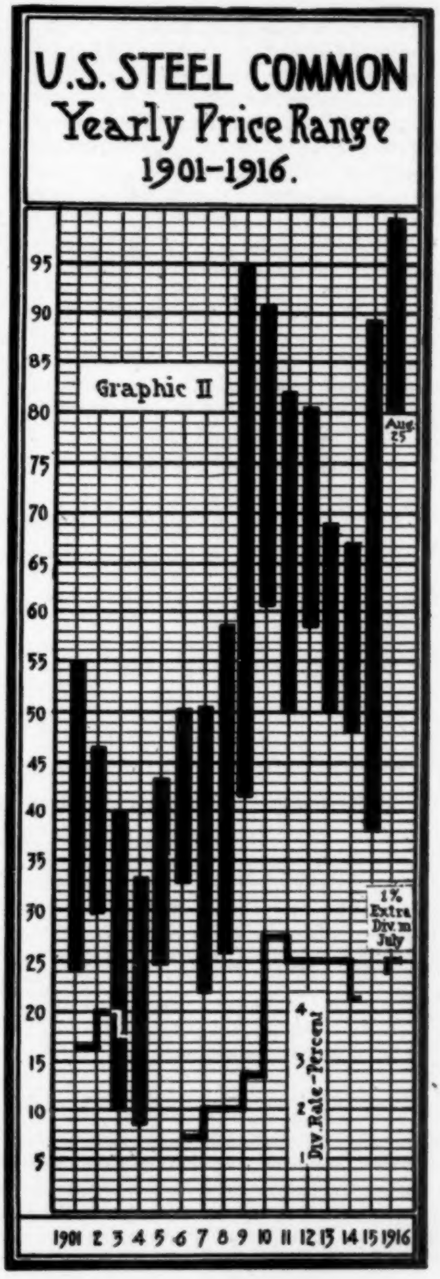
A distinguishing characteristic of successful market interests is their willingness to revise judgments as the occasion arises. If Steel would not go down on bad news it would certainly go up on good. Ample reason for higher prices for Steel is to be found in its astounding present day earnings, and in the prospects for a continuance of large profits on unfilled tonnage on hand and incoming at gratifyingly consistent volume. Large interests have evidently been quietly busy getting back into Steel throughout the greater part of the present year, and while not as heavily interested in its ownership as at the beginning of the year 1915, are still involved enough to desire a considerable advance before selling out to the public again.

Comparing its huge cash surplus and present earning capacity with another celebrated stock in the same industry, Bethlehem Steel, the findings are decidedly favorable to the stock of the larger corporation at present market quotations on the two. Both corporations are earning at record rates; both are building up huge surplus accounts, and both are spending millions in betterments. A comparison of the surplus items of each at the end of the pear 1915 (see Table herewith), and adjusting the theoretical market price of the two to an equity-in-surplus basis, gives something of pertinent interest at this time of unusual earnings and swelling surplus accounts.

Steel Common sold at the time of writing around $90 per share, while Bethlehem sold near $470. Adjusted to the basis of equity-in-surplus, and disregarding all else, the prices would be as follows:

Bethlehem Steel Common..........	**$66**
U. S. Steel Common................	**22**

Therefore, if Bethlehem Steel at the



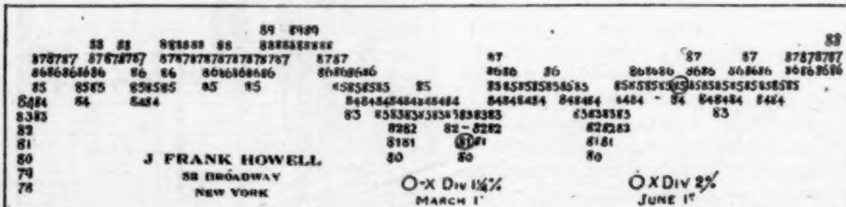
present price of $470 is not selling above its intrinsic value, and from the manner in which that price is maintained throughout all kinds of markets it would appear that the prevailing quotation is a correct measure of actual worth, then Steel Common is out of relative position, based on equity-in-surplus estimates, at any price under $183 per share. Later figures than those at present available may indicate a changed relationship. It is understood, oi course, that comparative figures of this character have little direct bearing in determining the market value of a stock. They are useful in the comparative sense only, yet it must be borne in mind that from out of the surplus account of a corporation comes the ultimate "melon" for stockholders.

Steel's Market Prospects

Studying the situation in Steel Common today it is difficult to arrive at any estimate of the future market possibilities for the stock and yet keep well within the limits of conservatism. Nevertheless I must give my opinion as carefully arrived at, and it is to the effect that I believe that Steel Common will sell up to $120 the share before another year has come and gone. That it will go to a much higher figure before the present grand bull swing has made its final culmination, is also my opinion. It is given for what it may be worth to the man who, having the facts in the case, reasons things out in his own way, and reaches his own conclusions.

Yet no matter what our beliefs may be marketwise, or how steadfast our confidence in the future of Steel, the well informed buyer will watch the action of the stock itself in the market to detect the familiar signs of extensive unloading which will be accomplished at whatever time and place in the upward swing which may be selected as opportune for the purpose. He will not neglect, of course, consideration of earnings and business prospects, but he will find that those things more properly belong to the financial and less to the speculative aspect of things. Year in and year out, he will find that the price movements in a stock of the broad trading character of Steel Common are, in the main, the results of technical adjustments to possibilities for advantageous accumulation and profitable distribution by very large and powerful interests who enjoy keen foresight and have both the courage and the capital to back it up.

FIGURE CHART SHOWING MARKET FLUCTUATIONS OF UNITED STATES STEEL COMMON



The above chart shows the course of prices for U S. Steel common from October, 1915, up to date One point movements only are shown, as it is not necessary to use fractions of a point in forming a picture of the progress of the shares over the period named. In the first upward swing of Steel to 88 the volume was very heavy. On the down swing, however, the volume was light On the next run up to 89, it was again very heavy. The first break to 80 shows volumes were also very heavy, but on all other breaks to 80, the low point, they were small

MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

"Business Picking Up"—Charles Sabin

CHARLES S. SABIN, president of the Guaranty Trust Company of New York, has been quoted as saying: "I can see no reason for expecting any material falling off in business in the United States if the European war should end tomorrow or six months hence. There will continue to be an unusual demand for all the United States can produce, particularly from Europe for a long time after the war.

"The reconstruction of Europe will follow peace and will keep our industries busy. In the meantime domestic business is picking up."

"Money to Remain Easy"—Geo. M. Reynolds

PRESIDENT REYNOLDS, of Continental & Commercial National Bank of Chicago, says: "There is no reason within view to cause much advance in money this year. Money is easy now, about the same average as a year ago, perhaps a shade lower, with indications of a shade higher for the entire month.

Our average for August thus far has been slightly above 4 per cent., which we call our minimum. July average was 4.24 per cent. First half of this year was 3.74 per cent., compared with 4.36 per cent. a year ago. Last August's average was 4.4 per cent. Most banks quote 4 per cent. to 4½ per cent., and borrowers are satisfied. They used to pay 5 per cent. and upwards before the war at this period, frequently 6 per cent. Our average through five years was 5 per cent. Deposits are away up since last call for condition, while loans gained a little.

"The interior is not calling upon us much for crop funds and deposits are generally ahead."

A SUMMER FLIRTATION.
—*From N. Y. World*

Railroads Again Buying Equipment

IT is difficult to pick out any one feature in the current steel market aside from buying of steel for munition purposes and the general improvement in domestic demand, but the series of developments that have taken place in railway equipment business are beginning to make that branch of the steel market stand out, says the *Journal of Commerce*.

Some very large orders for cars are now pending. The Illinois Central has asked prices on 2,000 refrigerator cars and 500 to 1,000 gondola cars, while the Western Pacific has come into the market for 1,000 steel center sills box cars and 150 stock cars. The Pere Marquette is in the market for 750 box car bodies.

"Men of Judgment in Demand"—Elliott

HOWARD ELLIOTT, president of the New Haven road, on receiving the honorary degree of Doctor of Laws at Middlebury College, Vermont, on June 21, made an address, in which he gave figures of the tremendous growth of this country since 1870, and emphasized the responsibilities that will come to us as a result of the European war.

He said there "was never greater need than today for men of the type turned out by the hard training of fifty, one hundred, and two hundred years ago," and "never a time when men of steady judgment were more in demand." The conflict in Europe, after it is over, would "leave conditions the result of which no man can accurately foretell." There was likely to be "a very serious readjustment of society and government and of the relations of individuals and races," and this readjustment was "certain to have its effect on this country." Since 1870 this nation has passed through a remarkable period of expansion and exploitation. Here is what the figures show:

IT'S A GOOD THING—PUSH IT ALONG. —From *Puck.*

Population	1870....	38,558.371
	1916....	100,000,000
National wealth..	1870....	$30,068,518,000
	1912....	$187,739,071,000
Miles of railroad.	1870....	52,922
	1910....	249,992
Total individual bank deposits..	1870....	$2,182,512,744
	1910....	$17,024,067,607
Imports	1870....	$435,958,408
	1914....	$1,893,925.657
Exports	1870....	$392,771,768
	1914....	$2,364,579,148

Record Sept. Dividend Payments

DIVIDENDS and interest disbursements next month will reach the sum of $142,539,689. This is a new high record for this period and compares with $115,154,100 in September a year ago, or an increase of $27,385,589. One hundred and thirty-five corporations will distribute in the aggregate $79,039,689 to stockholders, an increase of $22,785,589.

This showing is due in large part to the fact that the United States Steel Corporation will disburse $11,436,806 on the common stock, whereas in the same month a year ago no payment was made on this issue. But the returns also include a number of other initial dividends, as well as increases and extras. The grand total covering dividends is based on disbursements to be made by ninety industrial and miscellaneous companies, twenty-five steam railroads and twenty street railways.

Interest payments will call for $63,500,000, against $58,900,000 last year, the increase representing new bond and note issues.

A summary of September dividends, with comparisons with the same period a year ago, follows:

	1916.	*1915.
Industrial companies.	$50,081,091	$29,107,642
Railroads	24,132,032	23,212,085
Street railways	2,576,566	1,834,373
Bank and trust companies	2,250,000	2,100,000
Total	$79,039,689	$56,254,100

*Figures revised.

"Russia Ready for Modernization"—McRoberts

RUSSIA is ready for a programme of organization of industry on a large scale, according to Samuel McRoberts, vice-president of the National City

Bank. Mr. McRoberts returned at the end of July from a three months visit in Russia, and his observations and conclusions relative to Russian commercial prospects appear in the National City Bank's magazine, *The Americas.* The article says in part:

"Russia exceeds the United States in the amount and breadth of natural resources. It has vast reserves of iron, coal, copper and the rarer industrial and precious metals; and the agricultural possibilities include the production, at present, of enough cotton—cotton of excellent manufacturing quality—to supply half the consumption of Russia's 170,000,000 people.

"Even if the war had not brought the fair prospect of the fulfilment of Russia's long fostered ambition for an outlet for its commodities through the Bosphorus, Russia was ready for the modernization of huge enterprises and the establishing of new ones.

"The practical interest of America in this industrial advance is in the new field it may offer us for commercial interchange and for the employment of investment capital."

"Railroads at Mercy of 4 Men"—Underwood

F. D. UNDERWOOD, president of Erie Railroad, says:

"Whether orderly processes of settling wage controversies shall be abandoned and the country forced to great increases whenever the four highly organized classes of train service employes demand them is the real question now at issue. The question is whether the American people are willing to have their right to transact business and get their food supplies left to the mercy of the four men heading these organizations of train service employes.

"One of the leaders of the French Revolution is said to have declared that his reason for taking part in the revolution was that every time he looked at the king he thought, 'There is a man who can cut off my head.'

"What will the American people think of four men who assert the right to cut off their food?"

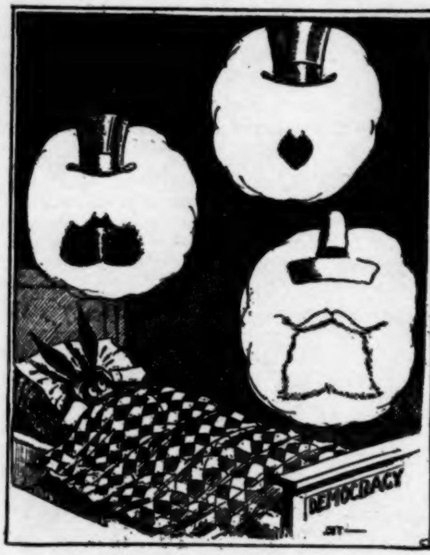
1,500,000 Motor Cars for 1915

THE sales of 1,500,000 motor cars in the United States in the next twelve months is predicted by Horace de Lisser, chairman of the Ajax Rubber Company, who bases his opinion chiefly upon the growth of general business and increasing interest shown by the agricultural population in popular priced cars.

THE RUSSIAN THUNDERBOLT RETURNS.
—From *Novoye Vremya*, Petrograd.

If wheat crops are poor, he says, others are not far from their best recent averages, and the buying power of 6,000,000 farm owners is a factor of great importance to any manufacturing business in the output of which the farmer is interested.

Tire manufacturers expect to reap much benefit from heavy car sales and are providing for a corresponding increase in output. Assuming that each car will consume six tires a year and that the 3,000,000 cars already running remain in commission at the end of another year, annual tire requirements will reach 27,000,000, which would mean something like $500,000,000 to the tire manufacturers.



A BEWHISKERED NIGHTMARE.

—From *Oakland Tribune.*

War Loss of 1,487 Ships

MERCHANT ships destroyed as a result of two years of war number 1,487, with a total gross tonnage of 2,812,644, according to records carefully compiled by *The Journal of Commerce* from August 1, 1914, to August 1, 1916. These figures are subject to some revisions for the month of July, due to the inadequate cable messages and errors in reports, but have been completely checked to the end of June, so far as announcements are made by the belligerent countries.

Vessels sunk by mine, submarine and uncertain causes during July were 141, with a total gross tonnage of 98,648, as compared with 64 ships of 126,369 gross tons in June and 63 ships of 118,994 tons in May. The July figures include 54 Turkish sailing vessels of unknown tonnage sunk by the Russians, and 13 British fishing boats. British losses in July showed a marked increase over June, from 46,905 tons to 58,578 tons. The tonnage of a number of the vessels reported lost is not shown in available maritime registers, and accordingly the figures published are conservative and probably well within the total tonnage destroyed in war operations. The July total was:

Flag—	Ships	Gross tons
British	54	58,578
Italian	5	10,683
French	5	9,463
Norwegian	7	5,018
Other Nations	70	14,906
Total	141	98,648

Dismissing the 54 sailing vessels flying the Turkish flag which were destroyed by the Russians, Great Britain lost the heaviest proportion of ships and tonnage in the month, with France, Italy and Norway far behind.

U. S. Manufactures Total 24 Billion

A PRELIMINARY statement of the general results of the census of manufactures for the United States has been issued by the Census Bureau, Department of Commerce.

The census of 1914, like that of 1909 with reference to manufactures, excluded the hand trades, the building trades, and the neighborhood industries, and took account only of establishments conducted under the factory system.

The population of the United States at the census of 1910 was 91,972,266, and it is estimated that it was 98,781,000 on July 1, 1914.

The capital invested, as reported in 1914, or 23.7 per cent over $18,428,270,000 in 1909. was $22,790,880,000, a gain of $4,362,610,000,

The value of products represents their selling value or price at the plants as actually turned out by the factories during the census year and does not necessarily have any relation to the amount of sales for that year. The values under this head also include amounts received for work done on materials furnished by others.

The value added by manufacture was $9,878,234,000 in 1914 and $8,529,261,000 in 1909, the increase being $1,348,973,000 or 15.8 per cent. The value added by manufacture formed 40.7 per cent of the total value of products in 1914, and 41.3 per cent in 1909.

Best Opinion Sees Higher Prices

Hayden, Stone & Co.—We have rarely known a time when conditions were more mixed, when it was more dangerous to attempt definite predictions. Almost every one will subscribe to the theory that a continuance of the last twelve months' business would warrant much higher prices. Everything that points to a continuation of such business would of course, be bullishly interpreted. If crops promised well, we should be inclined to swing quite strongly to the bull side, but there are forces working on the other side that, at the moment, are

keeping in the background, but nevertheless exert great influence. Perhaps this one factor of the European demand with the tremendous wealth that undeniably is pouring into this country may outweigh everything else. It is within the realm of possibility that we are on the threshold of another market movement of really first class importance.

Clark, Childs & Co.—Some real financial history is being made these days. Industrial earnings, partly due to war business, are realizing very large profits for scores of companies. Stockholders are only beginning to get the tangible results in larger dividends. New York Air Brake raised its dividend to a 10 per cent. basis, made a statement showing for six months of earnings at the rate of 100 per cent per annum after liberal charges of unusual character and showed an exceptional current financial position. There is much interest in what American Locomotive may do. In the absence of authoritative confirmation, it is dangerous to dignify certain stories current as to special plans in view for United States Steel, but the market suggests some basis. Crucible Steel directors rather disappointed their friends in making only 1¼ per cent. extra distribution on account of the arrears on the preferred, but the company is understood to have liquidated its current debts. There is in this case a lingering suspicion of speculative bias. On the whole things look well. If there is a settlement of the railroad matter, we may see a real market. The new British loan contains great possibilities.

SPEAKING OF MAN-EATING SHARKS.
—From *Des Moines Register and Leader.*

Knauth, Nachod & Kuhne.—Although the markets have reflected this midsummer dullness, prices have held for the most part exceptionally well, with unusual strength in municipal and tax exempt issues. The demand for such bonds has been broadened by the proposition to increase the income tax through raising the normal rate from 1 per cent. to 2 per cent. and by changing other provisions of the law. Although the investment markets therefore have not shown unwonted activity, there has been some good buying of strong securities by individual investors and corporations throughout the summer. This inquiry may be expected to continue as the season is at hand when the markets usually become more active. There is an abnormally large surplus fund available for investment.

Sheldon, Morgan & Co.—In the last analysis, the present outlook is closely related to the apparent remoteness of peace in Europe. As long as the war continues, the country, with its almost limitless resources, must continue to supply the commercial and financial necessities of the world at large, and virtually on its own terms. Such conditions and prospects carry elements of danger which will grow as the volume of business and stock market speculation expands. It is a question how far the prevailing level of prices in the industrial list has anticipated the apex of profits; but while more frequent reactions are to be expected, the stimulus to buy stocks and the machinery for putting up prices remains unimpaired at this writing.

Tucker, Hayes & Bartholomew.—It is indeed a peculiar situation when in the face of a recognized crop failure and the possibility of the most momentous railroad strike in the history of this country, the market maintains its recent improvement. It appears to us as though the market is in a position, upon a favorable settlement of the strike controversy, to have a substantial advance.

Messrs. Hunt, Ellis & Co. say: If the Steel Corporation is to continue to roll up huge earnings and from the state of the steel market no substantial change need hardly be expected at worst until the second half of 1917, stockholders can pretty confidently count on larger distributions. The recent declaration of an "extra" gives a good idea of how directors view the future dividend policy. The future of Steel is the future of industrial United States. The time is coming in the next few months when higher dividends will be the order of the day. There are plenty of good stocks of which this holds true and they should be bought.

Money and Banking

Our Big Gold Supplies—Effect of the Allies' Financing—Federal Reserve Amendments

THE surplus reserves of the New York Clearing House institutions have risen rapidly during recent weeks and are now over $130,000,000, the highest point reached since last March. The natural result is reflected in lower money rates. Call money, after its brief excursion to 6 per cent in July, is now back to 2 per cent, and prime commercial paper is ruling 3½ to 3¾ per cent.

Our heavy merchandise exports contribute largely to ease of money. Our excess of exports over imports in July, recently given out by the Government, was no less than $263,000,000, a new high record. Exports were a little smaller than in May or June, but imports fell off still more, being only $183,000,000, against $246,000,000 in June.

Since Europe must pay us for these big supplies in one way or anothr, the result is a steady flow of gold to our shores. The total gold supply of the United States is now about $2,550,000,000, which compares with $1,887,000,000 two years ago. Our present gold holdings are about equal to the aggregate gold supplies of the Banks of England, France, Russia and Germany. Thse four nations together now have approximately $2,600,000,000 gold in their official banks, and the amount of gold in the hands of the people and other banks in these four countries is not large.

Europe's Debt

Even our tremendous gold imports, however, are far from paying what Europe owes us. The account has to be balanced by Europe's borrowings here and by sales of our securities previously held abroad. Early in the war it was the policy of the Allies to hold their gold while borrowing here and selling us as many securities as possible, but this policy has been modified for the purpose of assuring easy money here. It is to the advantage of the Allies to send us gold enough to hold down our money rates so that they may borrow from us on favorable terms and sell us American securities at the best possible prices.

For example, it takes but a moderate amount of gold to generate enough credit on this side to take care of the recent $250,000,000 collateral loan. A part of these bonds are being bought by permanent investors, in which case no gold is tied up by the operation. And even those bonds which are paid for in part by borrowed money require only a small gold base behind the loans; that is, the increase in loans is reflected by an equal increase in bank deposits, but only 18 per cent of reserves is required on demand deposits and 5 per cent on time deposits and only a part of that reserve has to be in actual cash. It will be seen, therefore, that it is very much to the advantage of the Allies to send us gold and borrow credits from us.

It is so much to their advantage that they are pretty sure to keep on doing it. In all the belligerent countries gold has been almost entirely superseded by paper money in general business transactions, so that there is no lack of gold which can be sent across the Atlantic and apparently will not be for a long time to come.

This peculiar situation supersedes the ordinary influences affecting our money market, and it is, therefore, an open question when money rates will rise again. Of course, the next considerable swing in money will have to be upward, for rates are now so low that it cannot be downward, but this movement may be postponed for some time.

The amendments to the Federal Reserv Law now about to be passed will also work in the direction of further ease in money, since one of them permits the use of domestic acceptances and another enables the banks to deposit gold and issue currency notes against it, while at the same time counting the gold in their own reserves.

The Machinery of Wall Street

Why It Exists, How It Works and What It Accomplishes

X. The Curb Market—Private Bankers

By G. C. SELDEN

THE Curb Market consists of a rather loose organization of brokers who transact business in stocks in a roped-off section of Broad Street just below Exchange Place, a block from the New York Stock Exchange and about the same distance from the Consolidated Exchange. The Curb in its present form is over 35 years old; but there has always been trading on the curb ever since stocks began to be actively bought and sold. In fact, the New York Stock Exchange itself was originally a curb market, around the buttonwood tree at 68 Wall Street.

The necessity for a Curb Market in addition to the various stock exchanges is not always understood at a glance by the investor. It would seem as though the exchanges, in connection with the trading in unlisted stocks "over the counter," would afford ample opportunity for handling all kinds of business in stocks.

Nevertheless the Curb Market has its legitimate place in the machinery of Wall Street, as well as in other great financial centers.

Why the Curb Is Needed

Suppose, for example, that the investor has subscribed for ten of a new issue of bonds just being brought out by the underwriters, but owing to the fact that the issue was over-subscribed—which is nearly always the case—he obtained only two of the bonds. He wishes to buy more of the bonds at once, believing that the price will be higher after the bonds have been distributed to buyers, but since the bonds cannot yet be delivered he cannot make the purchase on any exchange or over the counter.

This is where the Curb Market steps in. The investor directs his broker to offer a certain price on the Curb for the bonds "when, as and if issued." Many other investors offer to buy or sell in the same way, so that a market price is established for the bonds some time before they are actually in existence. It occasionally happens that the bonds are not issued after all and in that event all the transactions that have been made in them have to be cancelled.

Trading "when, as and if" is often carried to absurd extremes. A big automobile combination was recently proposed and trading in its stocks began on the Curb almost as soon as the idea had germinated in the minds of its sponsors and even before any name had been suggested for the corporation. In that instance the combination did not go through—owing, it was said, to the opposition of leading bankers—and all the trading in the stocks it might have issued had to be undone.

Even after the stock certificates of a new corporation have been issued they are not usually listd at once on the stock exchanges, because the new company, if an untried venture, cannot present to the exchanges an official statement definite enough to warrant listing. In the meantime there may be a great deal of buying and selling of stocks, so much that it would be inconvenient and burdensome to handle it all over the counter. The situation is much simplified when all brokers having orders in such a stock gather in the Curb Market to execute them.

Even though a company may have been in existence a long time, its standing may not for one reason or another be satisfactory to the listing committee of the exchange, so that its stocks continue to be traded in on the Curb. There is no doubt about the usefulness of the Curb Market in such cases. People must have an opportunity to buy and sell all kinds of stocks.

The reason why the Curb Market stays on the street instead of housing itself more comfortably is that the constitution of the New York Stock Exchange prohibits its members from being repre-

sented on any other exchange, and at least 75 per cent. of the business on the Curb now originates with Stock Exchange houses. So the Curb stays outdoors and in only a partially organized condition.

The Curb Organization

Previous to 1910 the Curb had no organization, except such as naturally resulted from necessity. Brokers on the Curb could not safely do business with persons whose responsibility was unknown to them, hence the trade was practically all handled by the same group of brokers from day to day and their methods naturally fell into a sort of system.

In 1909 the Hughes Commission report criticized the Curb for obstructing the street, for being unorganized, for the frequency of manipulation there, and for sometimes dealing in securities nearly if not quite fraudulent. Partly as a result of this criticism the New York Curb Association was formed, with about 250 members paying annual dues of $100 each and with rules and regulations similar to those of the New York Stock Exchange. Listing requirements, however, were far from stringent, and it was soon found impossible to confine the trading to listed stocks, so that the Curb now has listed and unlisted departments as the Stock Exchange did formerly.

There is this difference, however, that the Curb Market is theoretically open to all who choose to trade there. But since strangers must be properly identified in order to guarantee the safety of dealing with them, the result is that the business is practically all done through the regular Curb brokers.

The Curb is one of the show places of New York and on an active day the crowd of howling, gesticulating brokers in the middle of the street is a novel and interesting sight. Curb brokerage houses rent offices overlooking the street, if possible, and orders are transmitted from the windows to the Curb by systems of signs, or sometimes by a bit of paper lowered by a string from a high window. Window space is naturally at a premium.

Issues Traded In

The issues traded in on the Curb are constantly changing. The best of them are usually listed on the Stock Exchange after their reliability has been reasonably demonstrated. Some are finally lodged in the hands of investors who hold them permanently, so that active trading in them dries up. Many of the companies represented are wafted away untimely to that bourne from which no traveller returns, for the prosaic reason that the enterprise has failed to pay. These are the issues found in nearly every investor's strong box which are preserved only for sentimental reasons, to be taken out and regarded mournfully from time to time and then laid tenderly back again. For some reason nobody ever throws them away, even though the hole in the ground they represent may be flooded and moss-grown.

On the other hand, there are many sound investment securities traded in on the Curb, such as the Standard Oil stocks and numerous good mining and industrial securities.

The activity of the Curb Market fluctuates widely in different years. In 1899 Curb business became very large, but it fell off in later years until another Curb boom appeared in 1906. After that there was a long period of comparative dullness, but in 1915 and 1916 business again rose to record-breaking proportions. On some days the number of shares changing hands was nearly equal to the transactions on the New York Stock Exchange —but, of course, their value was much less, since many of them have a low par value and an even lower market value.

Manipulation is much easier on the Curb than on the Exchange—in fact, it is doubtful if there is now anything on the New York Stock Exchange to which the term manipulation can accurately be applied. It is not very difficult for the interests behind a Curb stock to mark it up or down, within reasonable limits, because the number of resting or "good-till-cancelled" orders may be very small. However, this very fact may give the genuine investor, who has a standing order in the market, an opportunity to buy at a low figure or sell at a high one, so that even this evil is not without some small compensations.

Wall Street has done much less toward complying with the recommendations of the Hughes Commission on the Curb than on the New York Stock Exchange. The cynics say that this is because the big Stock Exchange houses want to keep one place where they can carry on their manipulations substantially unhindered. But this is not a fair statement of the case. If people want to buy and sell stocks of uncertain value they are going to do it in some way, and indeed they have the right to do it, and it is the character of some of the stocks traded in on the Curb that makes manipulation possible rather than the methods by which the business is handled. If the Curb were to be turned into another exchange, with rigid listing requirements, the immediate result would be the formation of a new curb market to accommodate the business thus crowded out.

Private Bankers

On most of the Curb stocks the banks and trust companies do not care to lend money. Hence the New York Stock Exchange houses and the more conservative Curb brokers will not buy such stocks for their customers on margin. It is to be regretted that the Curb organization is unable to enforce this rule on all its members, since most of the stocks traded in are unsuited to margin operations. There are, however, a large number of private banking houses which undertake to buy Curb stocks for their customers on margins. These houses may call themselves "investment bankers," or "bankers and brokers," or "stock brokers," or by any other name; but since they make a business of lending money on stocks which will not be accepted as collateral by the banks they are in reality private bankers.

While it would be difficult to prove it, there can be little doubt that some of these houses do not actually carry all the stocks their customers are supposed to own. In other words, after buying stocks for a margin customer, the house soon takes a favorable opportunity of selling the same stocks for its own account. This leaves the customer long and the house short of the same stocks, and it entirely obviates the difficulty which the house might have in getting the money to finance large purchases of stocks by its customers. In the meantime the customer is, of course, paying interest on the money he is supposed to be borrowing, which means profits for the house. When the customer sells his stocks the house at the same time or soon after covers its short sale of those stocks.

This operation is so near "bucketshopping" that it would be hairsplitting to attempt to discriminate, yet it is very difficult to detect and it would be still more difficult to stop it by legislation. The broker has executed his customer's orders correctly. The customer has received his due profits or suffered his loss as the case may be. What cause of complaint has he? If the broker saw fit to enter upon certain short contracts similar to his customer's purchase, that was the broker's affair. He might make or lose by those short sales, but in either case the customer is not affected—provided the broker remains solvent.

This provision is an important one, however, for the mortality among houses of this class is very high. They are the prostitutes of the Street, selling their honor for commissions and interest, and they are apt to live the short and hectic life of the prostitute. The intelligent part of the public avoids them as a pestilence, but there is always a careless and unintelligent public which wants to deal in Curb stocks on margin and is not discriminating in choosing its brokers.

The term "private banker" is about the most elastic in the realm of finance. Some private banking houses are nearly as strong as the Bank of England; others are capitalized solely upon the nerve of some ex-convict or graduate bucketshop man.

The great international banking houses are all private bankers—such as J. P. Morgan & Co., Kuhn, Loeb & Co., J. & W. Seligman & Co., Speyer & Co., etc. These houses are closely connected with the best investment bankers of other cities and they are frequently the representatives here of the leading firms or even the governments of Europe and other continents.

RAILWAYS AND INDUSTRIALS

Five Growing Rails

A Selection of Railroad Stocks Which Have Good Prospects for Future Improvement

By WILLIAM T. CONNORS

ALTHOUGH only five railroads are discussed in the following paragraphs, it is not intended to be implied that there are no more than five which might have been included. The five have been selected for various reasons, among which may be named that they are all counted among the leading American railroads, that all of them have a good market at all times, that they are all dividend payers except one, and that one is apparently in sight of dividends within a reasonable time, that all have a diversified traffic so that a failure of one crop or a collapse in one industry would not demoralize their earnings, that their earnings are showing a generally increasing tendency, and that their stocks, while not now selling at bargain counter prices, are certainly not high compared with their prospects and dividend yields.

Every railroad has its periods of growth, its relapses, its periods of stability without much growth, and some roads have their eras of decay. The time to own the stocks of a road is during its period of growth. It is wise to get rid of them before a relapse if the relapse can be foreseen—yet the permanent investor may carry them through such a reaction without serious misgivings. If a road is merely in a "static" or stable condition its securities may safely be held, but the outlook for profits in addition to dividends is not very bright. During a period of decay the investor who has the securities on hand is particularly unfortunate.

The ideal plan is to own nothing but the securities of *growing* companies. Like all other ideals this is sometimes difficult to realize, but there is no harm in aiming at it.

The railroads of the South have been purposely omitted from this article. Their situation is peculiar in some ways and justifies special analysis. I may take them up in a later article.

New York Central

It may seem incongruous at first glance to class New York Central, one of the oldest roads in the country and a dividend-payer for many years, as a growing road. Nevertheless, that is what it is. The traffic of a very large part of the United States is concentrated over its rails and it grows with the growth of the country.

Broadly viewed, the situation of this road during recent years has been as follows: Its traffic increased far beyond its facilities. Owing to the thickly settled territory traversed, the cost of building up those facilities was enormous. While the process was going on earnings suffered severely. But the road had now reached the point where returns from these improvements are coming in and is therefore showing a great increase in earnings.

New York Central and Pennsylvania, America's two greatest railroad systems, have always been rivals. Until within a few years comparisons have been in favor of Pennsylvania, but that is no longer the case. For example, in five years the Central's train load has increased 78 per cent., while Pennsylvania's has risen only 15 per cent. Actual figures for the four great Trunk Lines are as follows:

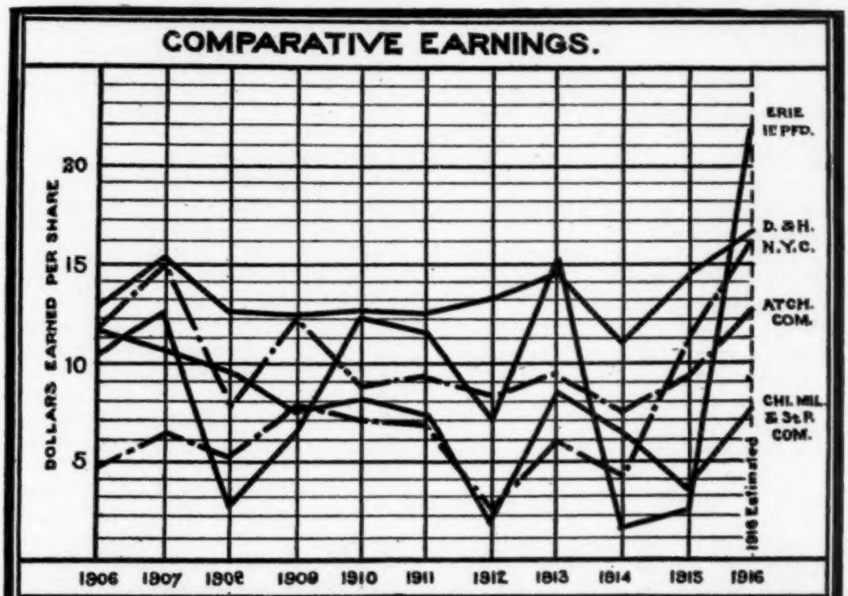
	1915 Tons	1910 Tons
N. Y. Central	743	417
Pennsylvania	743	649
Baltimore & Ohio	692	442
Erie	647	495

And this gain in the Central's train load has been progressive. In 1915 the Central's increase was five times

that shown by the Pennsylvania.

As shown by the accompanying graphic, New York Central's earnings have risen from 2.2 per cent. in 1912 to over 16 per cent. estimated for 1916. Erie, in 1915. Pennsylvania's was over $43,000 for the lines east of Pittsburgh, but a much larger per cent. consisted of low grade traffic.

The per cent. of Central's earnings to



It is true that Lake Shore's earnings are now included, while they were not in 1912, but on the other hand if the equities of other subsidiaries were included for 1916 the total would be about 21 per cent. earned on Central's stock.

New York Central has two great advantages over almost all other roads. One is that its line is almost without grades from New York to Chicago, except for a short 2 per cent. grade at Albany. All the other Trunk Lines have many grades of 1½ per cent. or more. The other great advantage is that its traffic is at the same time of high grade and high density. It traverses a manufacturing territory and is exceeded by few roads in the per cent. of manufactured articles hauled, and its gross per mile is very high—$36,500 for the average of the parent company and its three principal subsidiaries, Big Four, Michigan Central and Pittsburgh & Lake

the mean price of each year since 1906 has been as follows:

1906	3.3%	1912	2.0%
1907	5.5	1913	5.9
1908	4.7	1914	4.6
1909	5.7	1915	11.5
1910	5.1	1916	15.4*
1911	5.3		

*Estimated earnings, not including equities of sub-Cos., on present price of 104.

Of course the big earnings of 1915 and 1916 are partly due to the war, but they are also due in part to the great growth of the company's business and the improvement of its facilities.

Erie First Preferred

It was in 1908 that Erie was practically ready for a receivership and that Harriman saved it by practically putting his own personal credit behind that of the road. Starting then from almost the zero point, the road has been rebuilt

into a splendidly efficient transportation enterprise and the greater part of the money for the purpose has been taken out of earnings.

The line has been straightened, grades reduced, its entrance into Jersey City enlarged at great cost to meet the requirements of traffic, and modern locomotives and equipment substituted for the pre-historic outfit formerly in use.

The result has been a great increase in the train load, and a tremendous growth in capacity to handle business. Approximately $100,000,000 has been spent in additions and betterments to road-bed and equipment. Gross earnings increased from $45,000,000 in 1905 to $66,000,000 in 1915 and $36,000,000 in the first half of 1916.

This company is heavily bonded, 58 per cent. of the total capitalization being in bonds. Against $245,564,000 of bonds the amount of the first preferred stock outstanding is only $47,892,000. The natural result is that earnings on the stock vary widely according to the activity of business. During the two years from June, 1913, to June, 1915, the road was in the position of having prepared for a heavy volume of traffic and then having struck a business depression; consequently the earnings on the stock were almost nothing. But in the last half of 1915 the business began to come in, and in 1916 the per cent. shown for the first preferred will break all previous records. It will probably exceed 22 per cent.

Owing to the more economical handling of traffic Erie has been able to reduce its operating ratio—or per cent. of expenses to gross earnings—at a time when railway costs in general have been rising. The yearly ratio since 1908 has been as follows:

1908	82.42%
1909	73.16
1910	71.26
1911	71.04
1912	75.25
1913	73.66
1914	79.08
1915	68.74

In years of dullness like 1908 and 1914 this ratio is naturally higher than in years of prosperity, but the general downward trend is very plainly seen.

Erie first preferred stock is on the way toward dividends, and will of course sell considerably higher when they are begun. There seems to be no reason to doubt that it will reward the patient holder with a satisfactory profit.

St. Paul

St. Paul's earnings, like those of New York Central, struck bottom in 1912, and for much the same reason, namely a big construction program which had not yet begun to bring in returns. This construction was the Puget Sound Line, which the old St. Paul had bonded itself heavily to build. In 1913 the two companies were combined into the present St. Paul road.

Returns on the Puget Sound construction will be slower in coming in than on the Central's improvements, because the territory along that line will necessarily be settled up gradually while the Central's business was practically on hand waiting to be moved.

A more recent improvement, which is now beginning to result in important savings, is the electrification of 440 miles of road over the mountains. One electric locomotive now displaces four steam engines and when the improvement is entirely completed will supplant even more steam power than that. Some 25 steam locomotives have already been released for other uses. It is expected that the whole improvement will save $750,000 a year for St. Paul. The mileage of the electric trains is about 200 per 24 hours against 114 for steam, and regenerative braking saves $7.50 per train on the east slope alone in addition to reducing the wear and tear on equipment.

St. Paul has not cut down its maintenance during dull business, as most of the other roads in that territory have done. It has spent money on the property just as liberally as though gross earnings were normal. The entire road is in splendid condition and will not have to charge extra maintenance to the good business of coming years.

The road has done almost no war business, except that its tonnage of mining products, normally about one-quarter of the total, has been somewhat increased.

Nothing sensational is to be expected in the way of per cent. earned on the stock, but the dividend rate, which was cut to 4 per cent. in 1915 and is now 5 per cent., may be expected to get back to the old rate of 7 per cent. eventually. It is quite possible that the heavy damage to the spring wheat this year may give the investor an opportunity to buy the stock relatively low.

Atchison

Atchison has an excellent record for maintaining steady earnings on its stock even in dull years. This is partly due to the large proportion of stock compared with bonds—$214,000,000 common stock and $124,000,000 preferred against $311,000,000 bonds. The road is in growing territory and handles a diversified business.

The feature that is often overlooked about Atchison is the effect of the steady conversion of the convertible bonds into stock. About $112,500,000 of these bonds have been already converted and only about $25,000,000 remain to be converted. Since 1907 the common stock has risen from $103,000,000 to about $225,000,000 while the bonds outstanding have increased only a few millions. If Atchison had followed the rule of most roads and issued equal amounts of bonds and stock since 1907, its 1916 earnings would have been nearly 16 per cent. on the stock instead of 12.5 per cent.

This method of financing has put the road in a very strong position and makes the stock a particularly sound investment. The 6 per cent. dividend rate has been maintained since 1909 without a single year when earnings fell below 7.4 per cent., and now that the maximum has reached 12.5 per cent., with most of the convertibles already exchanged, the chances for 7 per cent. dividends by-and-by look very good.

Delaware & Hudson

Delaware & Hudson has gone so quietly on its way since 1907 paying its 9 per cent. regularly and earning an average of 12 or 13, that many investors have almost forgotten its existence. At current prices this dividend returns almost 6 per cent. on the investment.

With the exception of 1914, this stock has shown a steady up trend in earnings since 1911, as follows:

1909	12.2%
1910	12.5
1911	12.3
1912	13.0
1913	14.5
1914	10.8
1915	14.5
1916	16.5 est.

The operating ratio has remained practically stationary, taking one year with another, in spite of rising taxes and costs, and the train load has shown the rather extraordinary rise of 40 per cent. since 1910. Having done so well during a very trying period for the railroads, Delaware stands a good chance of doing still better in the next real prosperity wave. It is a stock which the investor may well take satisfaction in coming upon in his tin box.

VARIETIES OF LIES

Charles A. Dana used to say:

"There are three kinds of lies—plain lies, damn lies and statistics."

Growth of the Automobile Industry

Article I—Motor Truck Cos.
By BARNARD POWERS
Article II—Motor Accessories Cos.
By PARKER L. KENT

MUCH has appeared in the public prints about the pleasure car, but little has been written about the development of the motor truck industry. Yet, practically speaking, the latter is far more important in the development of the country. In the days of horse-drawn vehicles the percentage of pleasure conveyances to business conveyances was perhaps one to ten, yet in this day of the automobile the ratio of the pleasure car to the business car or truck, is far more than ten to one in favor of the pleasure car. Which goes to show that the American people demand luxuries while necescities may wait. But the business car or truck is rapidly coming into its own and it will pay the foresighted investor to look into the motor truck field, inasmuch as business, in the present scheme of things, must eventually take precedence of pleasure, I do not hesitate to predict that within the next decade we will see the time when ten motor trucks will exist for every pleasure automobile.

Motor Trucks in Use

The production of motor cars in the United States in 1915 was approximately 900,000 valued at something like $700,000,000. Of this output only about 74,000 were commercial vehicles and 22,000 round figures, were exported. There is no record of horse-drawn commercial vehicles in this country, but the U. S. census show that the average production of business and farm wagons was 600,000 in the years 1899, 1904 and 1909. If the average life of these vehicles be taken as ten years, this would indicate that about 5,000,000 are in use. There are about 26,000,000 horses and mules in use in this country and figuring that each truck displaces three animals, there is a field for about 8,600,000 trucks. The number of motor trucks in use at the present time is placed at 200,000 by competent authorities. In short, we have supplied but 2.3 per cent. of what is actually needed at the present time to entirely supplant horses and mules. Of course it is probable that this generation will not live to see draught animals entirely eliminated, but the above figures give somewhat of an idea of the scope for development which lies before the motor truck and shows that the manufacture of motor trucks at the present time is still in its infancy, as compared to the manufacture of pleasure cars.

TABLE I

Capitalization, Funded Debt and Surpluses of Six Leading Motor Truck Manufacturing Companies as Last Reported

	Capitalization			
	Authorized	Outstanding	Funded Debt	Surplus
General Motors Co.	$60,000,000	$31,491,983	$7,852,000	$6,689,426
Republic Motor Truck Co.	*1,000,000	750,000	....	852,219
Reo Motor Truck Co.	1,000,000	937,250	....	250,680
Kelly-Springfield Motor Truck Co.	2,500,000	1,450,000	....	546,809
Peerless Truck & Motor Co.	10,386,200	10,386,200	5,000,000	1,168,033
White Motor Co.	16,000,000	16,000,000	....	....
Federal Motor Truck Co.	500,000	500,000	....	405,241
Signal-Commerce Motor Truck Co.	460,000 shares, no par		....	....

*Preferred. In addition there are 62,500 shares common, no par.

Leading Motor Truck Companies

Table 1 herewith gives a list of seven leading motor truck manufacturing com-

panies, their authorized and outstanding capital, bonded debt if any, and surpluses. Like the automobile tire companies, the motor truck concerns have grown up for the most part without incurring fixed interest obligations—only two of the seven having a funded debt. It will be perceived that the total of the outstanding capital of these companies is in excess of $61,000,000. The available data in reference to these concerns is not voluminous, as none of them, except General Motors, are listed on the big board and several have enjoyed their present corporate existence for only a short time. Their securities are purchasable "over the counter" or on the Curb. This article will attempt to deal only with the vital facts in connection with each company.

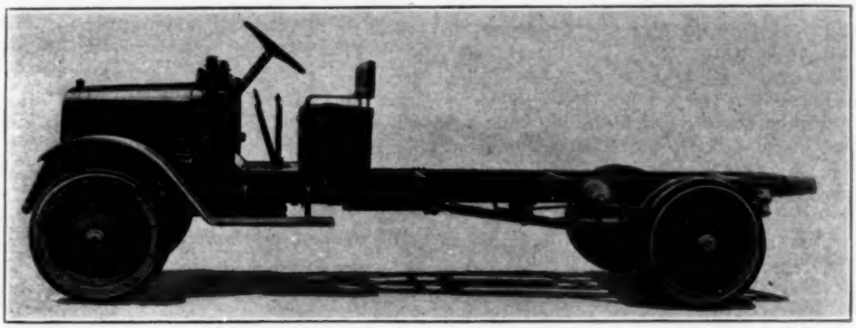
General Motors.—This corporation is a consolidation of 24 companies whose present time, and at 580 a share it is apparent that the stock is selling on prospects of future and larger disbursements rather than on attractiveness of yield.

Republic Motor Truck Co.—Among other things this concern is the largest exclusive manufacturer of motor trucks in this country. Its sales of trucks since incorporation July 1, 1913, up to the last reported time have been as follows:

REPUBLIC MOTOR TRUCK CO.

July 1, 1913, to Jan. 1, 1914	54	trucks
Calendar year 1914	376	"
Calendar year 1915	1,855	"
To July 1, 1916	2,789	"

Of the 4,837 trucks sold since the beginning of the war, only 212 represent war orders. The profits for 1916 totaled $530,593, or more than ten times the preferred dividend's requirements. The



Three-Ton Motor Truck, 1917 Model

earnings are not reported separately. It is therefore impossible to tell what percentage of profits comes from the truck manufacturing end of its business. It was officially stated in June that in the fiscal year to end July 31 the company would earn in excess of $25,000,000 or, after the preferred 7 per cent. dividends, 146 per cent. on the common, compared with 81 per cent. for the previous year. Up to the end of May the company had shipped 105,268 cars and more than 5,000 trucks, making a total of 110,000 vehicles. An estimate for the total year's production placed the output at 130,000 cars. The common stock is paying at the rate of 20 per cent. per annum at the

balance for the common was in excess of $7 per share on the 62,500 shares outstanding, no par value. This year it is estimated that earnings should be in the neighborhood of 1,000,000, which would leave a balance of something like $15 a share for the common. The preferred stock is selling at close to par and appears an attractive investment, while the common at between 45 and 50 would seem to offer considerable prospects for enhancement in price.

Reo Motor Truck Co.—Incorporated in 1910 under the Michigan laws with an authorized capital stock of $1,000,000, par $10. Of this, $937,250 was said to have been paid in stock and $600,000 is

reported to be in the name of Ransom E. Olds, trustee for the Reo Motor Car Co. This company manufactures motor trucks which are sold by the Reo Motor Car Co. through its agents, and the policy and management of the truck company are controlled by the motor car company. The truck company is doing a prosperous business and having such close connection with the Reo Motor Car Co., is able to dispose of its products readily. Those in charge have had many years' experience in the motor vehicle business.

REO MOTOR TRUCK CO.

	Assets	Liabilities	Excess Assets
Sept. 30, 1911..	$1,322,590	$170,424	$1,152,166
Sept. 30, 1912..	1,243,310	130,216	1,113,094
Aug. 31, 1913..	1,140,307	41,577	1,098,730
Aug. 31, 1914..	1,177,741	149,429	1,028,312
Aug. 31, 1915..	1,409,251	221,320	1,187,931

Stock of this company is traded in Detroit and New York and its market is wide and inactive.

KELLY-SPRINGFIELD MOTOR TRUCK CO.—Originally the Oscar Lear Co., of Columbus, Ohio. In 1907 the business was moved to Springfield and at that time the company manufactured pleasure cars and trucks. During a receivership a controlling interest was obtained by E. S. Kelly and the company reorganized in 1910 with an authorized capital stock of $500,000. After the reorganization the business was confined solely to the manufacture of trucks, and in 1912 control passed to New York interests. At that time the capital stock was increased to $2,500,000 and the company acquired its present title. There is $1,000,000 8 per cent. cumulative preferred and $1,500,000 common, par $100. The table herewith gives the assets, liabilities and excess of assets over liabilities as last reported.

PEERLESS TRUCK AND MOTOR.—This company has been showing remarkable earnings as a result of orders for trucks from the Allies. For the year ended December 31, 1915, the company earned $12 share on its stock, and earnings so far this year are reported to be equally as good if not better. With a $12,000,000 contract just closed with the Allies, this company is assured of maximum operation the balance of 1916 and far into 1917. In two years, 1915 and 1916, the company will in all likelihood have earned about $25 per share on its stock or about its present market price. No dividends have been paid as yet and the company's financial position is very strong as a result, net liquid assets at present being in the neighborhood of $5,500,000, or $500,000 in excess of its bonded debt. Figuring plants at book value there is $26 a share assets, behind the $10,000,000 par $50 stock.

WHITE MOTOR CO.—Main plant at Cleveland, Ohio. The company claims to be one of the largest motor truck manufacturers in the country. The capital stock totals $16,000,000, par $50 and there are no bonds or preferred stock. Except for ordinary working liabilities the company had no debts of any kind as of December 31 last, except $390,000 purchase money obligations. Net profits last year were approximately $8,700,000 or over 54 per cent. on the stock, which is on a 7 per cent. basis, and production in 1915 totaled 8,100 vehicles. The domestic business for 1916 is reported to show an increase of about 45 per cent. over the same period last year and foreign orders will be an important factor this year. On December 31 last the total assets were valued at $12,537,275, and total liabilities outside of capital obligations at $2,013,120, leaving $10,524,125, or the equivalent of about 66 per cent. on the company's stock in net tangible assets. The stock, par $50, is quoted around 54, at which price it yields 6.4 per cent.

KELLY-SPRINGFIELD MOTOR TRUCK CO.

	Assets	Liabilities	Excess Assets
Aug. 31, 1913..	$1,654,041	$239,495	$1,414,545
July 31, 1914..	1,760,595	376,122	1,381,472
Dec. 31, 1914..	2,025,905	391,521	1,634,384
Dec. 31, 1915..	2,665,441	669,352	1,996,089

FEDERAL MOTOR TRUCK CO.—Incorporated in Michigan, 1910, as the Bailey Motor Truck Co. with an authorized capital stock of $100,000, which in 1913 increased to $200,000. In 1915 the capital

stock was again increased to a total of $500,000, the additional stock being issued against surplus. We show herewith the available reports as to assets, liabilities and the excess of the former over the latter.

FEDERAL MOTOR TRUCK CO.

	Assets	Liabilities	Excess Assets
Sept. 30, 1912..	$297,632	$86,032	$211,600
April 30, 1913.	331,696	79,871	251,825
Dec. 31, 1913..	489,669	75,313	414,355
Jan. 1, 1915...	643,074	118,321	524,753

SIGNAL-COMMERCE MOTOR TRUCK CO. —Incorporated under the laws of New York for the purpose of taking over the properties and business of the Commerce Motor Truck Co. and the Signal Motor Truck Co. No bonded or floating indebtedness, capital stock consists of 460,000 shares, no par value. This company manufactures trucks ranging from ¾ of a ton to 5 tons and is reported to have a working capital of $1,500,000. Unfilled orders on the books call for 4,500 trucks of all sizes, and it is estimated that earnings during the next six months should total approximately $600,000, which would be equal to approximately $1.30 per share on the outstanding capital.

In a group article of this sort it is possible to touch only upon the more important factors of each concern. Enough has been said, however, to show the present trend of sturdy development in the truck manufacturing industry. The investor who believes in the future of this industry, should select those companies which seem to promise most and make a detailed investigation into their present financial status, their past history and their future prospects before making market commitments.

ARTICLE II—MOTOR ACCESSORY COMPANIES

By PARKER L. KENT

In the last two years, or since the outbreak of the European war, the growth in the manufacture of pleasure and commercial motor vehicles has been proportionately as great as the expansion in the other big industries of the country. It is true that a substantial portion of the increase has been due to the European war, and its reflected prosperity in this country, but American motor manufacturers are on a firmer basis than ever before. It would be trifling to predict that the American people, accustomed as they now are to the automobile as a convenience, will ever turn back, and give over that convenience.

About 900,000 automobiles were manufactured in this country in 1915. This year, it is estimated that 1,400,000 will be turned out, an increase of about 45 per cent. over last year, and experts are now forecasting that within the next few years, the output of machines in a single year will reach 2,500,000.

Naturally with the boom in the automobile trade, there has come a corresponding bulge in the automobile accessories trade. Makers of everything that goes to equip completely the automobile have not been slow to realize their opportunities and have centered attention upon increased facilities and increased output. A feature of the motor industry from the financial standpoint in the past year has been the combinations effected. Through such combinations, greater efficiency of manufacture has resulted, and also an opportunity afforded to the investing public to place surplus funds in a discretionary way in the motor shares.

With the motor accessory companies there has been the same trend toward consolidation. The two most prominent examples of this have been the United Motors Co. and the Motor Products Co. There are, also, current reports that a dozen or so of prosperous accessory companies in the middle west will shortly merge into a $30,000,000 combination. Standing out among the motor accessory concerns, whose shares have received deserved attention from investors with an "ear to the ground" are United Motors, Motors Products, Gray & Davis, Edmund & Jones, Stewart-Warner Speedometer, and last but not least, the

Stromberg Carburetor Co. of America.

These companies manufacture ignition and starting devices, lamps, wind shields, tops, cowls, hub caps, speedometers, roller bearings, demountable rims, carburetors, and probably, in their total, have contracts with at least 75 or 80 per cent. of the motor manufacturers of the country. Practically unknown to the average investor a year or so ago, the companies have rapidly come into general knowledge, and by the intimate relation they bear to one of the country's great industries deserve closer study than they are even now receiving.

From Table II it will be seen that most of the companies enumerated are following the latest style in corporation organization, and issuing their common stocks without par value. In this connection, it is interesting to note, that the Hadley Securities Commission of a few years ago, included in its report to the Government a suggestion that the issuance of common shares without par value was eminently sound financing.

TABLE II

Essential Statistics of Six Leading Motor Accessories Companies

Company	Capitalization Outstanding Pfd.	Div. Rate	Com.	Div. Rate	Est. Earnings Year 1916	1916 Com. Stock Range High	Low
United Motors	....	...	a$1,200,000	..	$11.50	94	60⅝
Motor Products	....	...	b70,000	..	11.00	85	64
Edmund & Jones	1,000,000	7%	c40,000	$4	13.00	50	38
Stewart-Warner	d.......	...	10,000,000	6%	25.00	82½	108⅞
Gray & Davis	600,000	7%	f50,000	..	60.00	40	25
Stromberg Carburetor	....	...	e50,000	..	5.00	44½	41⅛

a, b, c, e, no par.
d, all pfd. stock retired Aug. 1, 1916, @ 110.
f, par $25.

Of the six companies under consideration, four have been incorporated since January 1, 1916, United Motors, Motor Products, Edmund & Jones and Stromberg Carburetor, and of these four, Edmund & Jones is the only dividend payer. The fact, however, that the shares carry no dividends at present, detracts not at all from the potential values that lie behind the companies. They are new corporations in the process of finding themselves as corporate entities, and their earnings hold forth plenty of encouragement to the stockholder.

The figures of estimated 1916 earnings almost speak for themselves. In the case of Gray & Davis, the remarkable profits are due in large part to the company's shell making contracts, the company being peculiar in the fact that in addition to its usual business of making starting and lighting systems, it secured at least $5,000,000 of war orders from the Allied governments. It is not possible to make comparisons with earnings of previous years all along the line, because four of the companies are comparative newcomers in the corporation membership, and have not yet completed a full year's record of operations.

As with the motor stocks, the absence of a funded debt is characteristic among the accessory companies. As corporations large enough to receive the attention of the investing public they are practically a new departure, and for the most part have been brought out by bankers and promoters quick to grasp what the prosperity among the automobile companies meant to the accessory concerns.

United Motors Co.

This company is the largest of the corporations which have made their appearance as accessory combines. It was incorporated in May, 1916, by the same interests that control General Motors

and Chevrolet, and represents an ownership merger of five of the largest accessory companies in the country. The subsidiaries making up United Motors are, the Perlman Rim Corporation, the Dayton Engineering Laboratories Co., the Hyatt Roller Bearing Co., and the Remy Electric Co., and the New Departure Manufacturing Co.

Perlman Rim manufactures demountable rims, which are used by 75 per cent. of the automobiles in the country. Recent litigation resulted in the absolute protection of the company's patents. The Dayton Co. turns out about 25 per cent. of all the lighting and ignition devices used, while the Hyatt and New Departure companies make roller and annular bearings. Remy Electric confines itself to ignition devices. Estimated net earnings of these five companies for the current year are totaled at $13,730,000, which is equal to $11.50 on the 1,200,000 shares of United Motors stock. On the strength of earnings, and the outlook in the motor field, United Motors possesses attractions worth serious consideration.

Motors Products Co.

This company was incorporated in June, 1916, as a combination of five accessory companies, as follows: Rands Manufacturing Co., Diamond Manufacturing Co., Superior Manufacturing Co., Vanguard Manufacturing Co. and the Universal Metal Co. These concerns make wind shields, tops, cowls, hub caps, etc., Brought out by a strong New York investment house, the stock was offered for subscription at $74 a share. The unfilled orders of the five companies are placed at over $8,000,000, and the plants are sold out for a year ahead. Earnings for 1916 are competently estimated at $788,000, equivalent to over $11 a share on the 70,000 shares outstanding. While not "seasoned" in the financial use of the word, the corporation's earnings are justification for the belief that shareholders are in for a conservative division of profits.

Edmund & Jones

Edmund & Jones, incorporated in the spring of 1916, is the largest maker of motor lamps in the country. Combined with the company are the Canadian Lamp Stamping Co., and the Chicago Electric Manufacturing Co. It is expected that the company will sell 3,000,000 lamps this year, against less than 2,000,000 last year. Edmund & Jones equips over 50 per cent. of the motors in the country. In 1915 net earnings were $440,000 or six times the 7 per cent. dividend requirement on the present $1,000,000 preferred stock. Earnings on the common stock were equal to $9.20 a share.

Earnings this year will approach $13 a share on the 40,000 shares of common stock, upon which a quarterly dividend of $1 a share is now being paid. There is a provision in the company's charter, which provides for a sinking fund equal to 20 per cent. of the annual net profits after payment of the preferred dividends for the retirement of the preferred stock at 120 a share. Knowing the expansion in the automobile lamp business, and the company's improving efficiency of manufacture, Edmund & Jones possesses a future that must count in a consideration of the stock as an investment.

Stewart-Warner Speedometer

This company was incorporated in 1912, and makes speed indicators and odometers, vacuum tanks, and tire pumps. It is claimed that 95 per cent. of all the machines in use in the country have one or more of the Stewart-Warner attachments. On August 1, the company took advantage of its wonderful prosperity to retire the $724,000 outstanding preferred stock, so that now the $10,000,000 common stands next to the net earnings of the company. As an example of the expansion of the business, it may be mentioned that net earnings jumped from $982,362 in 1914 to over $2,000,000 in 1915, and this year are expected to exceed $2,500,000, which would be equal to at least 25 per cent. upon the common stock, which has paid 6 per cent. dividends since 1914. Officials of the company, whose headquarters are in Chicago, have been reticent about earnings, but the current figures, which found their way to the light, indicate plainly enough what the company is doing, and what its prospects are. It has been hinted that

the concern has ambitious expansion projects in mind.

Gray & Davis

Gray & Davis, a New England concern, is not a newcomer in the accessory field, having been incorporated in 1912. Dividends of 7 per cent. have been paid regularly on the $600,000 preferred stock, and in 1913 40 per cent. was paid on the common, but there are no records of any dividends since. While current business is abnormal owing to the inclusion of $5,000,000 of shell contracts in revenues, from normal domestic business in the last four years, net averaged $227,000, leaving after the preferred dividend requirements, an average of 34 per cent. on the common stock, of which there are 50,000 shares outstanding with a par value of $25.

While at first the company's self-starting and lighting systems were not as satisfactory as might be, that business is on the leap upward, and the motor truck field is yielding highly pleasing results. The company is in possession of sufficient capital to handle its business economically, and even without war orders, which will probably be off the books by the fall, is in a strong enough all around position.

Stromberg Carburetor

This company is the latest concern to win recognition among the accessory concerns in the investment markets. It was incorporated at the end of July, 1916, as the Stromberg Carburetor Co. of America, having purchased the Stromberg Motor Devices Co. Its backers are Allan A. Ryan, and allied interests, who control the Stutz Motor Co. The stock was offered for subscription at $42 a share.

In the sales of carburetors, the business of the company has shown a steady gain. In 1910 44,719 carburetors were sold, and in 1915 sales had risen to 128,018. For the five months ended May 31, 1916, sales aggregated 93,974, or an annual rate of about 200,000. As of June 30, 1916, unfilled orders on the company's books totaled 86,919. It is currently estimated that the current year will see earnings of $5 a share on the 50,000 shares of stock outstanding. The incorporation of the new company has given the operating concern increased facilities, and predictions are made that within a year, earnings will be running at the rate of $10 a share on the stock.

The six companies considered are chosen, because they are representative of the accessory companies of the country, and because they have been and are the principal representatives of their industry in the stock markets. Naturally their future is bound absolutely with the future of the automobile in this country, and no consideration of the future of the automobile is complete without reference to the export automobile trade.

Before the European war, our makers did not stand forth as exporters. That great struggle has brought an unprecedented demand for motor trucks, and the makers of the United States have taken full toll of the profits from the European demand. In the fiscal year ending June 30, 1911, exports of automobiles from this country were less than $13,000,000. In 1915 they were $61,000,000, and this year will reach $100,000,000 at least. With that expansion, the exports of parts and accessories have kept pace, and makers have probably sold abroad three or four times what they sold last year. This is exclusive of engines and tires.

One of the most interesting parts of the development of our foreign automobile trade, is the increase in the sales of American cars in South America, Latin America, and the Far East. Securely established in those markets, and our manufacturers will have a field with great possibilities, and the chance to build up a foreign trade that will not have its growth traced by the need of warring nations for motor trucks and ambulance cars. As an example it may be mentioned that sales of American cars in South America doubled in 1915. And it is fair assumption that where the field for the American car develops, will likewise develop the field for the maker of accessories. It is also not to be forgotten that 77 per cent. of the world's automobiles are right here in the United States.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor*.

RAILROADS

Boston & Albany.—For the first time since it was leased to the New York Central, this road in the fiscal year ended June 30 showed a large surplus after charges,—over $1,800,000.

Boston & Maine.—At directors' meeting Pres. Hustis announced that in the opinion of the directors it was inexpedient to ask for an extension of the Boston & Maine notes, that a creditors' petition for a receiver has been filed in the United States District Court and that in due time the road will file its answer thereto.

Canadian Pacific.—For year ended June 30 surplus available for common dividends after deducting preferred dividends was about $43,500,000, equal to 16.76% on the $260,000,000 common stock outstanding. This compares with 11.25% earned in 1915 and 13.62% in 1914. Surplus for the year after dividends was $15,444,000.

Chicago & Alton.—Pres. Bierd states that "traffic holds up well, the 4 weeks of July showing a gain of $220,000, or 20%. Our territory is highly diversified in production and agriculturally it is very prosperous and promising. This year's earnings I expect will reach $17,000,000."

Chicago Great Western.—For year ended June 30 last gross earnings were $15,067,345, an increase of $1,146,650, or 8.2%, over 1915 year. Net earnings of $4,350,847 showed an increase of $876,729, or 25.2%. Surplus after charges was $1,765,994, an increase of more than 100% over 1915. This surplus is equal to 4.02% on the $43,867,902 outstanding pref. stock.

Delaware & Hudson.—Gross earnings for year ended June 30 were $25,922,670, an increase of $3,220,728 over previous year, and net earnings were $8,891,853, an increase of $1,552,349.

Denver & Rio Grande.—Reports for 12 mos. ended June 30 gross earnings of $24,890,084, an increase of $3,066,848 over previous year, and net earnings of $9,057,705, an increase of $2,546,098.

Great Northern.—For year ended June 30 gross earnings were $81,233,092, an increase of $14,099,784 over previous year, and net earnings were $32,234,834, an increase of $6,531,593. Regular quarterly dividend of 1¾% declared on outstanding capital stock payable Nov. 1 to stock of record Sept. 22.

Illinois Central.—Total operating revenue for 12 mos. ended June 30 was $69,077,342, an increase of $6,965,790 over previous year, and operating income was $14,155,087, an increase of $3,276,614.

Missouri Pacific.—Reported deficit for fiscal year ended June 30 of $1,352,000 over all fixed charges, except interest on Iron Mountaian 1st and ref. bonds. Gross in that period was heaviest in history, and $6,162,000 heavier than in 1915 year.

New Haven.—Estimated to have earned, after dividends received and large appropriations for maintenance, about 2¼% on its $157,000,000 capital. Including the road's outside equities, among them Boston & Maine, the earnings were nearly 6% on its capital.

N. Y. Central.—Has placed orders for 2,000 freight cars. Road has perfected a process for elimination of hidden defects in rails.

Norfolk & Western.—June net earnings showed an increase of $442,672 over June, 1915.

Northern Pacific.—Gross earnings for 12 mos. ended June 30 were $75,939,231, an increase of $12,767,578, or 20%, over 1915. Balance for the $248,000,000 stock was $27,727,517, equivalent to over 11%. This compares with 7.59% earned in the 1915 year.

Pennsylvania Railroad.—Plans consolidation of its southwestern lines into one holding company with authorized capital stock of $250,000,000, to be known as the Pittsburg, Cincinnati, Chicago & St. Louis R. R. Co. The lines involved cover mileage of approximately 2,350 miles. Total outstanding stocks of the combined railroads equals $86,126,010, of which the Pennsylvania company owns approximately $62,545,200.

Pere Marquette.—Preliminary reports for year ended June 30, shows gross $21,210,053, an increase of $3,181,843; expenses and taxes $15,156,700, an increase of $1,200,971; balance before interest deductions $4,786,593, an increase of $1,898,313.

Rock Island.—Gross earnings for year ended June 30 were $75,346,000, an increase of $4,400,000 over last year. Net after all charges was $2,927,000, against a deficit of $734,000 in previous year. This net was equivalent to 4% on the $75,000,000 com. stock.

St. Louis, Iron Mountain & Southern.—Reports for year ended June 30 gross earn-

ings of $32,783,245, an increase of $2,899,616 over previous year, and net earnings of $7,-754,523, an increase of $91,656.

St. Louis & San Francisco.—This road reports for 12 mos. ended June 30 gross earnings of $46,358,625, an increase of $5,457,239 over previous year, and net earnings of $13,-434,111, an increase of $2,358,490.

Wabash - Pittsburgh Terminal. — Gross earnings for 12 mos. ended June 30 were $1,731,192, an increase of $545,495 over previous year, and net was $708,095, an increase of $397,206. This includes earnings of West Side Belt Railroad. The Wabash-Pittsburgh Terminal Railroad has been sold to representatives of the reorganization committee for $3,000,000.

Wisconsin Central. — Declared regular semi-annual dividend of 2% on pref. stock, payable Oct. 2 to stock of record Sept. 9. No action was taken on common shares.

INDUSTRIALS

Aetna Explosives.—Working capital March 31 stood at $4,080,802. This is sufficient to cover the entire outstanding bonds and leave a balance for the $5,495,900 pref. of $1,792,302.

American Beet Sugar.—Estimated production this year is 2,280,000 bags, an increase of 30% over last year. If this is sold at an average of 6½c. earnings for com. stock will be over $38 per share, figuring on a $4 per bag cost.

American Can.—From returns for first 7 mos. of 1916 co. should earn about 10% on its com. stock from its can business alone this year after making due allowance for the regular 7% dividend on the pref.

American Hide & Leather.—In fiscal year ended June 30 earned balance for $13,000,-000 pref. of 12.6%. On June 30 net working capital was $11,543,805, which is equal to par of the bonds and $59.10 per share for the $13,000,000 pref. Co. reduced the total of bonds outstanding in hands of public by $971,000, the largest reduction of any one year in its history.

American International Corporation.—This corporation has to date made investment in five primary projects: Pacific Mail, Mercantile Marine, United Fruit, Allied Machinery Co., and the recently organized Rosin & Turpentine Export Co. Stockholders have paid into company's treasury 50% of full paid value of the $50,000,000 stock, or $25,000,000.

American Locomotive.—Reports for year ended June 30 net earnings of $11,070,434, equal to $36 per share on the $25,000,000 com. stock. On June 30, 1916, net quick assets were $21,482,078, an increase of $12,-065,866, or 128% over previous year. These assets are equal to about $86 per share on the pref. stock. Co. has wiped out all but $1,336,000 of an original note debt of $10,-000,100, a reduction of $8,734,000 in 4 years.

American Malting.—Reports for 9 mos. ended May 31 total receipts of $4,531,908 and a net profit of $307,953, after deducting bond interest and other fixed charges. After paying $210,824 on pref. dividends, the balance was carried to surplus, which now stands at $2,061,618.

American Multigraph.—Company earned 35% on com. stock for fiscal year ended June 30. About half of this came from routine business and half from war business. Earnings for first 6 mos. of calendar year ran at a rate nearer 50%.

American Pneumatic Service.—Declared semi-annual dividend of $1.75 per share on 1st pref. stock and a dividend of 75c. a share on 2nd pref., both payable Sept. 30 to stock of record Sept. 9. For 6 mos. to June 30 co. earned at rate of $1.87 a share per annum on its $6,328,800 2nd pref. stock (par $50). This is after allowing for the 6 mos. proportion of dividends on the 30,000 shares 1st pref. Net profits for all of 1915 were equal to $1.69 a share on the 2nd pref.

American Woolen.—Estimated co. will earn for the full year between $6,000,000 and $6,800,000, which would mean between $16 and $20 for the com. stock.

Atlantic, Gulf & West Indies.—During the next 5 mos. will receive a total of about $5,000,000 of new steamers. It is estimated that these boats will earn very close to their entire cost price during their first year of operation should the war run into 1917.

Bethlehem Steel. — Recently secured through J. P. Morgan & Co. an order for bars for the Allies amounting to $11,000,000.

Canadian Car & Foundry.—Negotiations under way some days between this co. and new Anglo-Russian commission in New York have been completed. Canadian Car & Fdy. obtains an extension of time for carrying out the big Russian contracts. In addition agreement has been made regarding all differences as applied to interest on moneys.

Central Leather.—Declared regular quarterly dividend of 1¼% on pref. stock payable Oct. 2 to stock of record Sept. 9. Earnings for first half of this year show 11½% on the com. as compared with 10% for entire 1915 year.

Chevrolet Motor.—For year ended Aug. 1 produced 54,700 machines, including output

of Canadian factory. Current assets are now over $25,000,000, as against $8,000,000 at time of organization last fall.

Corn Products Refining.—The Edgewater plant, which was shut down for about 6 weeks through strike troubles, is now operating at full capacity.

Cramp Shipbuilding. — Merchant steel steamship tonnage at present on books of co. amounts to about 75,500 tons, besides 3 torpedo boat destroyers. Co. is now employing 5,200 men.

Crucible Steel.—Declared dividend of 1¼% on account of back dividends together with regular quarterly dividend of 1¾% on the pref. stock, payable Sept. 30 to holders of record Sept. 16. On June 30 last a dividend of ¼ of 1% on account of back dividends was paid together with regular quarterly dividend. Domestic business of the co. is on an increasing scale from automobile manufacturers for special steels.

Cuban-American Sugar.—Declared extra cash dividend of 10% on com. stock, and an additional 40% dividend on common stock, payable Oct. 2 to stock of record Sept. 15. Regular quarterly dividends of 1¾% on pref. and 2½% on com. were also declared payable on same dates.

Davison Chemical Corp.—Net earnings for 6 mos. ended June 30 available for dividends were $263,693. Additions to co.'s plants should be completed about Oct. 1 when capacity will be about 300,000 tons of sulphuric acid and about 300,000 of acid phosphate per annum.

Distillers Securities.—Reports for year ended June 30 net profits of $3,327,094, equivalent to 10.60% on the stock, compared with 4.64% in previous fiscal year. Company as of June 30 had cash balance of $2,203,197 and practically no floating debt. Net quick assets were $12,925,444.

Edmunds & Jones Corp.—Declared dividend of $1 per share on com. stock, payable Oct. 2 to stockholders of record Sept. 20, and usual dividend of 1% on pref. stock, payable at same time. Pres. Geo. E. Edmunds states that business for the last half of current year will exceed that of first 6 mos. by 60%.

Emerson Phonograph. — Production of 10c. and 25c. disc records, 25,000 per day. Sales two to three times present output. Everything points to a record-breaking fall season. Company opening daily fifty or more accounts with dealers and distributors, which include all classes of stores, namely: department stores, 5, 10 and 25-cent stores, sporting goods stores, stationery, music and phonograph stores, etc. The Emerson 25c. disc with music on both sides is the only record which plays on all machines, and which can be sold at a satisfactory profit to jobbers as well as dealers, and can be distributed through the general lines of trade.

Gaston, Williams & Wigmore.—One of the allied governments has placed, through this co., an order for 2,400 Peerless motor trucks, delivery to commence immediately. This is largest contract yet placed in this country for motor trucks.

Gulf States Steel.—Declared regular quarterly dividend of 1¾% on 1st pref. and 1½% on 2nd pref. 1st pref. is payable Oct. to stock of record Sept. 15 and 2nd pref. Nov. 1 to stock of record Oct. 14. This co. in July, after allowing for heavy reserves and depreciation, earned $202,042, an increase of $155,070 over July, 1915, or 331%. These earnings are at rate of 40% on com. stock. In 7 mos. to July 31 net income was $1,143,433, an increase over last year of $875,283, or 363%.

Haynes Automobile Co.—In addition to usual monthly cash dividend of 1%, stockholders will receive 108 1/3 % stock dividend. At regular meeting of stockholders Aug. 8 capitalization was increased from $1,200,000 to $4,000,000. 50% of the increase in capitalization is in com. stock, divided among the stockholders, and 50% is in 7% cumulative non-taxable preferred. During the past fiscal year earnings of this co. amounted to 135%. Proceeds of sale of pref. stock will be used for erection of extensive additions to factory at Kokomo, Ind.

Hercules Powder.—On June 30 this co. had a net working capital of $23,616,703. Deducting from this the $5,350,000 par of the pref. stock leaves $18,266,703 of net quick assets for the $7,150,000 com., or $255 per share. In the June quarter this co. earned $4,883,424 net, and in the March quarter $4,941,235 net.

International Mercantile Marine.—The prediction is made by competent authorities that after paying the bondholders $37,-500,000 in cash as called for by readjustment plan and after paying all war taxes, the company will have on Oct. 1 next cash to the amount of $23,500,000.

International Paper.—During the past year the management reduced the bonded debt by $373,000 and the outstanding notes by $2,050,000, a total of $2,434,000. Company is paying at present 2% per annum on the pref. stock which is entitled to 6% per annum.

Kresge (S. S.).—Indicated earnings this year are close to $1,000,000 available for com. stock after allowing for all deductions on account of pref. dividends.

Kress & Co. (S. H.).—Sales from Jan. 1 to July 31 were $7,543,548, an increase of $1,455,510, or 23.7% over the 7 mos. of 1915.

Laconia Car.—Has been awarded contract for furnishing the trucks for 100 center-entrance motor cars recently ordered by Boston Elevated. This brings unfilled

business on co.'s books up to considerably above $2,000,000.

Lee Tire.—Reported to be putting out between 1,200 and 1,400 tires daily. A new mill will be completed within a few weeks which will raise daily output of tires to 2,000. For first 6 mos. of 1916 Lee Tire is reported to have earned about $300,000 or approximately $3 a share on its outstanding capital.

Locomobile Co.—Gross earnings from domestic business in quarter ended June 30 showed an increase over corresponding quarter of 1915 of approximately $1,000,000.

Maxwell Motor.—Declared initial quarterly dividend of 2½% on the com. stock, payable Oct. 2 to stock of record Sept. 11, placing the stock on a 10% dividend basis. A dividend of 6% on the 2nd pref. stock was also declared, payable in four quarterly instalments of 1½% beginning Oct. 2. The regular 7% dividend on the first pref. stock was declared for the coming year, payable on the same dates. Pres. Flanders states: "We plan a production of 120,000 cars the coming season, compared with 60,000 in fiscal period just closed. Our sales in July totaled 8,000 cars and August figures will be nearer 9,000."

Midvale Steel.—Export orders have been greatly increased since July 10, probably by as much as $25,000,000. An official of the company recently declared that with orders now in hand and in sight for 1917 it was his expectation that Midvale would earn in the two years 1916 and 1917 a sum after interest equal to the entire cost of the Cambria Steel purchase.

National City Co.—N. W. Halsey & Co., second largest bond distributing house in the country, is to be taken over by the National City Co. and operated in conjunction with the bond department of the National City Bank. In the consolidation will be included the New York, Boston, Philadelphia, Cleveland, Baltimore and Washington offices of N. W. Halsey & Co.

New York Air Brake.—Declared quarterly dividend of 2½%, which is an increase of one-half over previous declaration and places stock on a 10% basis. Dividend is payable Sept. 22 to stock of record Aug. 31. Negotiations are in progress for large shell contracts. Company has over $7,500,000 in cash on hand and due on delivered orders, and its floating liabilities are less than $30,000.

Niles-Bement-Pond. — Declared quarterly dividend of 2½% on com. stock, placing issue on 10% basis, payable Sept. 20 to stock of record Sept. 6. Regular quarterly pref. dividend of 1½% was also declared payable Aug. 15 to stock of record Aug. 9.

Pacific Mail.—Declared quarterly dividend of 1¾% payable Sept. 1 to stock of record Aug. 21. It is estimated that net earnings are running in excess of $100,000 a month, or at minimum rate of $1,200,000 a year. This would pay full dividend on pref. stock and leave $4.70 a share for the 230,000 common shares. Oriental service has been resumed by this company.

Packard Motor Co.—Production for the year ended August 31 amounted to about 12,750 vehicles, consisting of 7,750 cars and 5,000 trucks. Net earnings probably exceeded $6,000,000, compared with less than $3,000,000 the previous year. Co. is understood to be preparing a new model for the coming season.

Poole Engineering & Machine.—Has completed its initial order of 3,000 12-inch shrapnel shells and 500,000 one-pounder shells for Russia. An additional order for 4,500,000 shells is under way, deliveries to begin Oct. 1. Co. is now producing these shells at a rate of 15,000 daily.

Republic Iron & Steel.—Declared regular quarterly dividend of 1¾% on pref. stock and extra of 4% on account of accumulated dividends on same issue, both payable Oct. 2 to stock of record Sept. 15. There still remain 4% back dividends to be paid on this issue.

Republic Rubber Co.—Has booked an order for pneumatic tires and tubes for equipment of a leading American car that will run into the millions. To handle business in sight the corporation plans a number of extensions.

Riker & Hegeman.—Declared dividend of 1% payable Sept. 2 to stock of record Aug. 21.

Saxon Motor.—New contracts have been signed during past 3 weeks for 50,756 cars. Contracts still pending to be closed in two weeks' time will bring total to over 60,000 cars. Cars are being shipped at rate of 3,000 monthly.

Stewart-Warner Speedometer.—Will double its Beloit, Wis., plant and convert it into a foundry. The co.'s new Chicago building, which will treble its floor space, will be ready in a few weeks.

Stromberg Carburetor.—Anticipates a demand for 250,000 carburetors by Ford users. Work on Chicago plant is progressing which when completed will increase capacity 300%, present production being over 200,000 carburetors yearly.

Studebaker.—For 12 mos. to June 30 company produced total of 60,704 cars.

U. S. Steel.—Contracts calling for 500,000 tons of shell steel and valued at $34,000,000 have been closed with the Allies by U. S. Steel acting with several large independent companies. This is largest single steel contract placed in this country since the war began. Delivery to be completed by end of July, 1917. Price averages $67.50 a ton.

Railroad and Industrial Inquiries

Missouri Pacific Old Stock

G. W. G., Mechanicsville, N. Y.—Missouri Pacific old stock is selling around $5. The new when issued stock is selling around $22, and the 4% bonds around $65. By paying a $50 assessment on the old stock you obtain $50 par value of the new 4% bonds share for share in new stock. The $50 par value of the 4% bonds with the bonds selling at $65 is only a market value of $32.50. Add to this the market price of the new when issued stock, $22, and the total is $54.50. Deduct the $50 assessment paid, and the balance is $4.50, which compares with the present price of the old stock of $5.

Westinghouse Air Brake

B. B. C., Erie, Pa.—Westinghouse Air Brake (139½ bid, 140 asked). For the 6 months ended January 31, 1916, this company reported profits of $1,918,985, which was $348,535 in excess of dividend requirements. These earnings did not include profits on any of the munition business. The company took an $18,000,000 contract for shells in 1915. This will shortly be completed and the management has announced that it will show a fair manufacturing profit. In addition, the company recently closed an order for $4,400,000 of fuses. Its equipment business is good.

Rock Island

G. W. H., East Las Vegas, N. M.—The reorganization of the Chicago Rock Island and Pacific Railway has not yet been officially given out. The general plan, however, is known. It is proposed to issue $30,000,000 7% Pfd. A stock and $20,000,000 6% Pfd. B stock. Both A and B being cumulative up to 5%. The preferred A stock is to be issued at par to stockholders paying the assessment. That is to say upon payment of the proposed $40 per share assessment, stockholders will receive $40 par value of Pfd. A stock. It is not yet known in what way the assessment will be called. Whether you purchase the stock on margin or not, you of course have to pay the full assessment, but your broker may be willing to finance it for you to a certain extent. We believe the best time to purchase this stock is just before the assessment falls due, as it is likely at that time to be selling at its lowest price.

Southern Ry. Pfd.

L. S., Samara, Russia.—Southern Railway (pfd. 67½) for the year ended June 30, 1916, earned 15.6% on the preferred stock. In the past two years the company has put nearly $11,000,000 from earnings into the property, and it would appear that the management is in a position to put the preferred stock on a dividend basis at once. We believe it likely that this stock will go as high as $75 in the near future. It is an attractive semi-speculative investment.

White Motor

H. T., Schenectady, N. Y.—White Motor (53¾) in 1915 earned $25 per share on its stock. These earnings were somewhat abnormal, due to the fact that the company had received large war orders for trucks. It is still working on war orders, however, and the 1916 showing is expected to be nearly up to that of 1915. We consider this stock as attractive as any of the motor stocks on the market. We believe it will work higher.

Cramp Shipbuilding

J. T., Brewster, Mass.—Cramp Shipbuilding (72 bid, 75 asked) we regard as having decidedly attractive speculative possibilities. For the year ended May 31, 1916, the company earned close to $20 per share. It has all the business it can handle up to the spring of 1917, so that the current fiscal year should show up very much better. There is only $6,000,000 stock, and the company owns very valuable water front property and in addition is in strong financial condition. There is little speculative activity in the stock. Our suggestion is that you be patient and hold it for a year or so. We believe it will prove to be a profitable investment. It is not paying dividends now because it needs all the money it has to finance its present big contracts.

U. S. Ind. Alcohol

H. W. C., N. Y. City.—United States Industrial Alcohol. This company is, of course, making very large profits from the sale of alcohol to manufacturers of powder. We believe the stock should have a substantial recovery in price. In our previous letter we suggested that you hold this stock, although it would not be wise to risk any more money in purchasing additional shares. In reading over this reply to your letter, we thought it might give you the impression that we believed this a good stock to hold permanently. This is not our opinion. We believe this stock should be sold out before the war is over. Our suggestion, therefore, would be to wait for a substantial recovery, and then either sell out or protect your stock with a stop loss order.

Midvale Steel

R. F. C., Plainfield, N. J.—Midvale Steel (62) has recently taken several good orders. One for $10,000,000 shells was recently reported, also an order for 50,000 tons of wire and a large order for Russian rails. No earning statement has been issued as yet, but it is generally thought that earnings in 1916 will be over $15 a share, exclusive of its rifle contract. We believe it an attractive speculation at present levels.

Lake Superior Corp.

H. F. J., Philadelphia, Pa.—Lake Superior Corporation (10). Recent reports are to the effect that this company's earnings are showing up very satisfactorily, although no definite statement as to earnings has been given out. Practically every steel company in the United States is doing well at the present time, however, and in view of the fact that this company's earning power in the past has been very poor, we are not inclined to favor the stock and we would suggest that you either sell out or put in a stop loss order.

U. S. Steel

C. J. W., Houston, Tex.—U. S. Steel has been picked as the most important leader of this upward move. We are inclined to regard Steel common as more of a speculation than investment issue. That is to say, should be purchased with the idea of selling at a higher price rather than keeping permanently for the dividends. We believe, if purchased at present levels (95), it will prove a profitable purchase.

Aetna Explosives

W. H. A., Hazleton, Pa.—Aetna Explosives. It is reported that this company earned $1,250,000 net in May. This is the best showing made by the company in any one month, and indicates that the new management has made decided progress. The present capital is understood to be close to $7,500,000. Earnings of the company from strictly commercial business are said to be sufficient to meet interest charges and other obligations. There are 420,000 shares of common stock outstanding, no par value. In view of the fact that the main part of this company's business consists of war orders, and that it is decidedly uncertain how long these will continue,

Corn Products Ref.

J. D., New York City.—Corn Products Refining (13¼) is showing excellent increases in earnings, and the only reason the stock is not selling higher is because the United States Government suit to dissolve the company under the Sherman Anti-Trust Law was decided in favor of the Government. It will be appealed to the United States Supreme Court, and should it lose here the company would have to split up into different parts, and this might have a decidedly detrimental effect on the common stock.

Texas Pac.—Seaboard Air Line

A. J. D., Pemaquid, Me.—Texas & Pacific (common 12⅞) will undoubtedly have to be reorganized, and this will probably mean an assessment on the stock. This company's second mortgage bonds are in default. We do not favor the stock at present levels.

Steel Co. of Canada

W. F. G., Germantown, Philadelphia, Pa.—Steel Company of Canada earned 15.3% on the common stock in 1915, after charging off $400,000 for depreciation. Current earnings are said to be running at the rate of 50% per annum on the stock. The management has put a large part of the profits of the company into extensions and the capacity has been increased until it is now close to 1,200 tons daily. It must be remembered, however, that boom conditions are now prevailing in the steel trade and abnormal prices rule. In normal times, the company's earning power was not very great. The best year previous to 1915 was 1913, when only 4½% was earned on the common stock. The money which the company is now making, however, will undoubtedly be put to good use and its earning power in the future can be expected to show material improvement. We are not inclined to wax too enthusiastic about the stock. The ending of the war may cause a collapse in the steel boom and, as the capacity of the various steel companies has been greatly increased, there is likely to be keen competition and severe cuts in prices. We believe the boom in steel has about seen its top, and as a rule it is poor policy to purchase the steel stocks on the top of a boom.

It is, of course, mere guesswork trying to foretell on what dividend basis the common stock will be started. We are inclined to the opinion that the directors will be conservative, for the reason that the company has been expending so much money for extensions and improvements. It is expected that at least $1,000,000 will be spent on improvements in 1916. Even if the stock is put on a 7% basis this may not cause it to advance very much. For example, Distillers' Securities is on a 6% basis and yet it is selling around 43. American Woolen on a 5% basis is selling around 45. The reason these stocks sell so low is because it is not thought they will be able to maintain their dividends at this rate for a very long period of time. We do not look for an extended upward movement in this stock, but believe it quite likely that it may go close to its previous high of 65 once more.

TELEGRAPHIC SERVICE TO YEARLY SUBSCRIBERS

The Magazine of Wall Street has made arrangements by which yearly subscribers who desire prompt replies to their inquiries may receive them by telegraph—the only expense incurred being the cost of the telegram, which will be sent collect. We urge subscribers to use this method when they expect to take quick action in the stock market, as one or two days' delay might result in a loss that a telegram would have saved.

BONDS AND INVESTMENTS

Industrial Preferred Investment Opportunities

By LESTER L. FREUND

IN the interest attendant upon the market activity of the more spectacular common stocks, the preferred issues have received scant consideration of late. Yet it is upon these issues that the investor who purchases for the long pull with due regard to safety, yield and marketability, should center his attention for many of the better grade of such dends, rate and yield on the market price.

This tabulation is intended merely to be one of suggestion to the investor. There is not space to consider each issue individually in an article of this sort, and it behooves the investor, before making his commitments, to examine carefully into each issue and decide for himself which suits his purpose best.

Company.	Net available for Divs. for last reported fiscal year.	P. C. Earned on Par.	Market Price.	Earned on Market Price.	Div. Rate.	Yield.
American Can	$5,029,273	12.1	111	10.9%	[1]7%	6.3
American Beet Sugar	3,174,831	63.4	97	65.3	6	6.1
American Locomotive	[2]2,827,740	11.3	105	10.7	7	6.6
American Smelting & Ref.	13,053,305	13.5	112	12.0	[3]6.2	5.5
American Sugar Ref.	6,184,721	13.7	119	11.5	7	6.0
American Woolen	5,160,295	12.9	98	13.1	7	7.1
Baldwin Locomotive	2,827,816	14,1	105	13.4	7	6.6
Bethlehem Steel	17,762,812	119.1	130	91.6	7	5.0
Central Leather	6,626,897	19.3	113	17.0	7	6.0
Crucible Steel	3,073,750	12.2	117	10.4	[4]7	5.9
Cuba Cane Sugar	13,866,812	27.7	95	29.1	7	7.3
General Motors	14,457,803	97.0	121	80.1	7	5.7
National Biscuit	4,129,791	16.6	124	13.3	7	5.6
Republic Iron & Steel	[5]5,768,076	23.0	113	20.3	[6]7	6.1
Studebaker	9,067,425	83.1	107	77.6	7	6.5
Willys-Overland	[7]4,193,144	27.9	104	26.8	7	6.7
Woolworth	7,548,210	58.0	125	46.3	7	5.6
U. S. Steel	75,068,019	20.8	118	17.6	7	5.9

[1] 8¾% accrued and unpaid back dividends.
[2] For six months ended June 30.
[3] Average div. rate on 3 classes of preferred stocks.
[4] 24½% accrued and unpaid back dividends.
[5] Six months ended June 30.
[6] 8% accrued unpaid dividends.
[7] Four months ended April 30.

securities are very much on the bargain counter at the present time. The tabulation which accompanies this article gives a list of eighteen industrial preferred issues which are well regarded in investment circles. It shows their earnings as last reported, the per cent. of such earnings on par, their market price, disregarding fractions, the percentage of earnings on market price, their divi-

In many instances the earnings in the first column of the table are as reported for the year ended December 31, 1915, although where later official figures were available they were used. In the case of most of the companies the earnings this year are running ahead of last year, which increases the already considerable margin of safety for the preferred dividends which most of the stocks show.

Preferred Stock Regulations*

Relation of Working Capital and Security Prices—Special Voting Privileges—Control of a Company

By PROFESSOR WALTER E. LAGERQUIST
(Northwestern University School of Commerce)

ARTICLE II

(Concluded.)

WHEN, as stated in the preceding article, the inventories are a very large proportion to net quick assets, it is perfectly apparent how quickly net quick assets shrink from their first supposed value when properly examined. Over-valuation, which may occur from wilful manipulation or obsolescence, as in the B. and C. concerns, or from a change in the price of crude products such as a rubber company experienced, would increasingly aggravate such relationship. A certain rubber company, for example, was twice caught in such a predicament. In a period of less than four years the price of Para crude rubber fluctuated from $2.20 to $.55 a pound, and within the period of one year from $1.04 to $.55. In 1910 this company wrote off $2,215,000 in inventories to provide for the fall in price of rubber, which almost equaled the total net profit in 1913 ($2,599,747). This wide fluctuation has been due, it is true, to speculation in crude rubber, and in time, no doubt, as the company's interests maintain, will be largely corrected, but in the meantime the investor has suffered losses. And any company, whose products are subject to variation and obsolescence in its inventories, is subject to this same situation to a varying degree. If the company has not settled to its investment basis, these difficulties are correspondingly increased, and this is undoubtedly the stage that the rubber and automobile industry is just beginning to reach. In a comparatively new industry, the manufacturers of moving picture films, certain manufacturers frequently carry the obsolete films in their vaults at cost, and the net quick assets are computed upon these assets. This is, however, probably not so much a case of assets as of deceit on the part of those who issue the securities of these companies on this basis, but it is now overlooked because of the large profits in the industry at the present time; but unless readjustments are made out of earnings, some of these companies must have their day of reckoning when the industry begins to settle to its true investment basis. A smelting company a few years ago, by a similar procedure in bookkeeping fiction, juggled certain investments to current assets at fictitious values, but as soon as the true situation was realized, the securities of this company decreased in price.

In this latter connection, on the basis of a study of approximately one hundred industrial corporations, security prices were found, almost invariably, to run parallel with two conditions. If, other things being equal, a company with the growth of its business increased its net working capital out of net profits, security prices at least maintained their own and in the majority of cases increased. If the company, with the growth of business, did not increase its working capital correspondingly or the net working capital over a long period was obtained from funded loans, security prices showed an equally consistent tendency downwards. It would be idle to maintain that this condition will work absolutely, or that different methods of financing have not accomplished better results in individual companies and particular kinds of industries. But this association between security prices and net working capital has occurred in such a large majority of cases that a violation of this method of the increase of net working capital must be placed under more than ordinary surveillance.

Do Special Voting Privileges Control?

The most common condition under

*The conclusions of this article are based on a study of 125 companies.

which preferred stock is given the unqualified right to vote, when it does not possess the right to vote, is on the default of a specified number of preferred dividends, usually from two to four. The preferred holders are then commonly entitled to elect all directors or a majority of the board or have equal pro rata voting power with common stock until all dividends in arrears have been paid. One company, for example, states in its agreement that "The preferred stock shall have no voting power except in the default of the payment of any quarterly dividend, or in the event of a default in the annual redemption (of preferred stock) . . . in which event it shall have equal voting power with common stock until such default shall have been made, when said voting power shall be vested exclusively in the common stock." These rights vary from the default of two to four quarterly dividends.

In addition to allowing preferred shareholders voting power, after a default of dividends, voting power is also automatically given to preferred in some companies, when (1) a stipulated number of dividends have been paid; (2) when surplus or reserves equal a given amount; (3) if net quick assets have been not less than a stipulated amount for a given period, as one company which gives the voting privilege to preferred when net quick assets have been not less than the par value of the outstanding preferred for more than one year; (4) lastly, if the Sinking Fund requirements are in arrears, which in effect is the same as the surplus regulation, the voting right is given to preferred.

But the mere fact that a shareholder comes into possession of voting power under these various conditions may not indicate actual control. With the transfer of voting power, the old management which controls common stock, may, through its alliances in the distribution of preferred, continue in control. And further, if preferred stock is too large, a ratio of the capital stock or common stock largely represents intangible assets, with all the voting power that preferred may obtain, preferred shareholders will probably be forced to sacrifice. When control is obtained after the default of a very limited number of dividends, the difficulty may be checked before it gets beyond the state of being remedied, but if a company has been undergoing a period of constant depression for eight quarterly dividends, no remedy probably exists, except reorganization. Should the preferred shareholders assume temporary control, under these conditions it will require some time for the new management to accomplish any results. Where conservative management or legitimate practices have been followed, more would be lost than gained in such a transfer. Normally, corporations are not attempting to bankrupt or sacrifice their interests, but in finance, as everything else, regulations must include the whole, or the exception will escape.

Contributed Articles

Bond Inquiries

American Ice Deb. 6's

B. F., Chevy Chase, D. C.—American Ice Debenture 6s are a semi-speculative bond. The company's earning power has been sufficient for several years to cover the interest with a fair surplus. As a semi-speculative investment, we regard them as attractive. It is not a security, however, in which too much money should be placed. The company's management is well regarded, and the future outlook appears decidedly optimistic.

Miss. Valley Gas 5's

B. T. B., Woodland, Me.—The Mississippi Valley Gas & Electric Co. collateral trust 5's are guaranteed, principal and interest, by the Standard Gas & Electric Co. The latter is earning its interest charges, with a very substantial margin to spare, and we, therefore, believe the bonds of the Mississippi Valley Gas & Electric Co. reasonably secure, with possibilities of working somewhat above their present price of around 92.

French Notes

S. J., New York City.—American Foreign Securities Company put out the French Notes, which are secured by securities of neutral countries, at 98, at which price the yield is 5.735%. The reason that all the warring nations have to pay higher interest than usual for their loan is simply a case of supply and demand. They are in need of all the money they can borrow at anything like reasonable rates. This country has already absorbed $500,000,000 of the Anglo-French bonds. In order for new foreign issues, no matter how well secured, to take well, they must be made unusually attractive. The security behind these French Notes appears to be ample, and we believe it to be an unusually attractive investment.

N. Y. Central 4½'s

M. S., New York Ctiy.—New York Central 4½% Refunding Bonds are a high grade investment, and you need have no hesitancy in putting any amount of your money into them.

Mexican Petroleum 6's

R. M. E., Hustisford, Wis.—Mexican Petroleum Company Convertible 6s, due October 1, 1921, are convertible at any time into common stock at par. At present prices of around $108 we regard these bonds as an attractive purchase. They are semi-speculative for one reason, and that is because they are redeemable at $105 at any time on eight weeks' notice.

Tennessee Copper

R. F. H., Brooklyn, N. Y.—Tennessee Copper convertible 6s at present prices of around 91½ look attractive. We believe they are reasonably safe. The cause of their recent decline in price was the fact that Tennessee Copper fell down on its Russian contract because of the burning of one of its plants. Russia advanced this company about $1,500,000 on this contract and naturally intends to recover this money. It would appear, therefore, that it is necessary for Tennessee Copper to raise some money. It is generally thought that the company will be entirely successful in doing this and the chances are largely in favor of the bonds recovering in price. We believe you would do well to average by buying another bond.

Vir.-Carolina Chemical

F. A. E., Brooklyn, N. Y.—Virginia-Carolina Chemical 1st and Collateral Trust 5s are a first mortgage on the company's plant and property and can be regarded as a very high-grade industrial bond. For industrial bonds, a yield of slightly over 5% is not unusual even for the higher grade bonds. The Virginia-Carolina Chemical convertible 6s, convertible into pfd. stock at 110 until October 15, 1922, have a sinking fund of 2½% of outstanding bonds annually. These bonds have a slightly more speculative tinge as they are not a mortgage on any property, being merely debentures. In view of the past earning record of the company and its future outlook, these bonds, in our opinion, can be regarded as reasonably safe.

100 Bonds Yielding 5 + %

J. E. A., New York City.—The following $100 bonds yield over 5% on the investment, and can be regarded as reasonably safe.

	Due.	Price.	Yield.
American Foreign Securities Co. 3 yr. notes...	1919	$98½	5.54%
Dominion of Canada 5s..	1925	99	5.14%
Virginia Railway 1st 5s...	1962	99¼	5.20%
Amer. Agric. Chem. Conv. Debenture 5s	1924	97½	5.40%
Denver Gas & Electric 1st 5s	1949	99	5.07%

Northern States 6's

B. H., Stapleton, N. Y.—Northern States Power Co. 6's and Middle West Utility Co. 6's are good public utility bonds. The interest is earned with a substantial margin to spare. We would regard them as a proper investment for a business man to put in a portion of his funds. The management of both companies is well regarded. We believe that the interest and principal of these bonds is reasonably safe.

PUBLIC UTILITIES

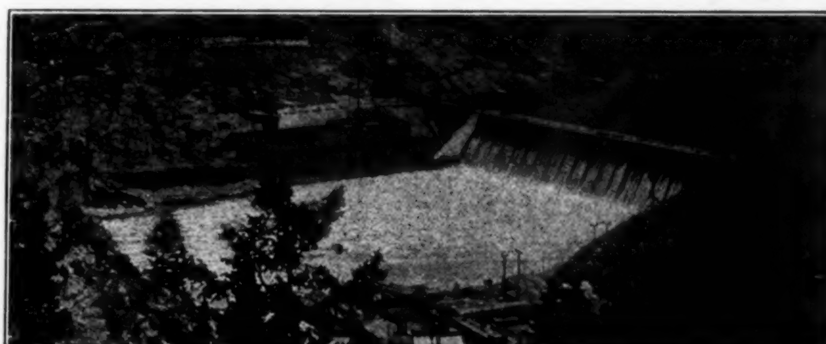
Montana Power Co.

A Public Utility That Has Exceeded Expectations—Current Earnings and Future Outlook—Management.

By **JEROME MAYHEW**

MONTANA POWER COMPANY has turned out to be one of the most successful public utility promotions ever undertaken in the United States. In fact, so rapid has been its growth that it has exceeded even the most optimistic forecasts of its sponsors. And the end is not yet in sight; still greater things are looked for.

The company was incorporated December 12, 1912, in New Jersey and took over the following properties: Butte Electric & Power Co., Madison River Power, Billings and Eastern Montana Power, Missouri River Electric & Power and the old Montana Power Co. John D. Ryan and Thos. F. Cole were heavily interested in some of these properties and are now leading interests in Montana Power. General Electric also has a finger in the pie and its controlled company, the Electric Bond & Share is the guiding hand of Montana Power. The management, therefore, can be considered as good as there is to be had.



Hauser Lake Dam and Power House of Montana Power Co.

A glance at Table 1 would not lead one to believe that this company has had any unusual growth. The calendar years 1913, 1914 and 1915 do not show an increase of as much as 1% on the common stock. The explanation is that in these years the company was paving the way for the big profits to come.

Rapid Increase in Earnings

The current year the company is beginning to reap its reward; earnings have been mounting by leaps and bounds. Last November there was an unsold surplus of 86,000 horse power. This has not only been taken up, but the demand exists for still more power.

The great demand for additional power comes from the tremendous mining developments and the new copper and zinc refineries and reduction plants in Montana. The opening of many new mines and the operation of all the old ones at capacity, added to the power demands and the recent swift growth of Montana cities and towns increased com-

mercial demands for light and heat. Then there has been the electrification of the Chicago, Milwaukee & St. Paul Railroad and Butte, Anaconda and Pacific to help.

TABLE 1
Years ended December 31

	Gross	Net	% Earned on Common
1915	$4,231,223	$3,039,320	3.73
1914	3,720,601	2,581,554	2.42
1913	3,532,162	2,414,388	3.13

Big Demand for Power

New construction is now under way, which, when completed, and it will be completed in the very near future, will add approximately 66,000 h. p. to the company's present capacity. This the company will have little trouble disposing of if the present activity in the territory supplied keeps up at anything like the pace it is now showing. It is quite true that should the price of copper and zinc decline to unusually low figures the demand for power would be lessened to a certain extent, but it does not look as though this will occur for some little time to come, and, in the meantime, the company is continually expanding its field of operations.

As by far the greater part of the company's income comes from mining, railroad and industrial companies, under contract, it has little or nothing to fear from legislation regulating the price it charges communities for light and heat, which is the great bugbear of many power companies. Its present rates for this purpose are decidedly reasonable and not likely to be reduced further.

Capitalization

Montana Power has $49,407,500 common stock outstanding, but only $29,407,500 is at the present time entitled to dividends, the balance is tied up in a voting trust agreement and only becomes entitled to dividends in installments of $2,500,000 and $3,000,000 a year, depending upon the completion of certain hydro-electric developments. The completion of these new developments will unquestionably increase earnings more than dividend requirements will be increased by the increase in the stock. In addition to the common there is $9,671,800 7% preferred stock and $27,764,000 funded debt.

For the first six months of 1916 earnings were at the rate of 8.2% per annum on the $29,407,500 common entitled to dividends, and for the quarter ended June 30, 1916, earnings were at the rate of 8.6% (see Table 2). Indications are that earnings will continue their increasing tendency so that it is not unlikely that 10% will be shown for the common this year.

Financial Condition

The last balance sheet of the company was as of April 30, 1916, and showed a strong financial condition. Cash on hand and in banks stood at $1,408,750, accounts receivable $633,885, materials and supplies $302,117, making total current assets of $2,344,752. Current liabilities were $1,028,658, giving the company a working capital of $1,316,094. This is sufficient for the ordinary needs of the company and it is by no means unlikely that the dividend on the common stock will be increased from its present rate of 4% this year or early in 1917.

TABLE 2

To June 30.	1916.	1915.
3 mos. gross	$1,477,434	$976,432
Net	1,133,696	693,147
Fixed charges	329,668	293,485
Bal. for divs.	804,028	399,662
6 mos. gross	2,903,753	1,910,207
Net	2,216,500	1,345,195
Fixed charges	664,895	555,917
Bal. for divs.	1,551,604	789,277

Perhaps the most remarkable feature of the large earnings Montana Power is now showing is the big proportion of the increase in gross that is saved for net. For example, gross for the six months ended June 30, 1916, was $993,546 ahead of the same period of the previous year, and of this increase no less than $871,305 was saved for net. In other words, it cost only $122,000 to do nearly $1,000,000 more business. Fixed charges for the six months increased $110,000 so that approximately 75% of the increase

in gross was added to the balance available for dividends.

A brilliant future is predicted for Montana Power by people well informed as to the possibilities of the territory it supplies. What is, perhaps, still more interesting to the prospective investor is the fact that the people who are most heavily interested in the company and the largest holders of its stock are great believers in the property. They have backed up their belief by holding on to their stock. The stock is closely held and no effort has ever been made to distribute any quantity of it by means of stock market manipulation.

TABLE 3
Range of Stocks.

	Preferred.		Common.	
	High.	Low.	High.	Low.
1916........	116	109	94	68¼
1915........	114	99	79¾	42
*1914........	103⅞	101	52⅞	41

*Listed on the New York Stock Exchange March, 1914.

At present prices of around 93 the stock is selling close to its record high price of 94 (See Table 3). This price, at first thought, seems rather high for a 4% stock. The fact that the company is now earning at the rate of close to 9% per annum is not in itself convincing, as there are many companies who are earning double that and whose stock is not selling even as high. The present price of the stock, therefore, reflects the belief in the permanency of the company's present earning power and possibilities of a still further improvement. Any one purchasing this stock should not look for a quick speculative advance as he probably would be disappointed. It is an attractive semi-speculative investment, and when the dividend is increased, as it is anticipated it will be in the not far distant fture, the stock should gradually work to higher levels.

The preferred stock is a high grade investment issue and at present prices of around 113 yields 6.2% on the investment, an excellent return when it is considered that the dividend is being earned nearly five times over.

Treasury Rulings on Stock Transfers

Emergency Revenue Act.—Ruling regarding the proper method of affixing documentary stamps upon the transferring of certificates of stock.

In case of a sale of certificates of stock where the evidence of transfer is shown only by the books of the company, the requisite stamps should be affixed to the books; where the change of ownership is evidenced by the endorsement of the certificate of stock from the seller to the purchaser, the requisite stamp should be affixed upon the certificate endorsed, and not upon the new certificate issued to the purchaser by the transfer agent in exchange for the old certificate; and in case of an agreement to sell certificates of stock, or where the transfer is by delivery of the certificate endorsed in blank, there is required to be made and delivered by the seller to the buyer a bill or memorandum of such sale, to which the requisite stamps shall be affixed.

Explaining the sixth paragraph of T. D. 2073, regarding sales and transfers of certificates of stock through brokers.

Such paragraph contemplated merely the handing to a broker a certificate of stock assigned in blank for the purpose of sale, which is not regarded by this office as being such a transfer as is taxable under the provisions of Schedule A, Act of October 22, 1914, although technically the title to such certificate might be regarded as passing temporarily to the broker. Where, however, a certificate of stock is actually transferred to the name of a broker, and such transfer is registered on the transfer books of the corporation, the ruling in the above-mentioned paragraph is not applicable, even though the transfer may be merely for the purpose of sale.

Notes on Public Utilities

American Gas & Electric.—In June 2,752 new contracts were signed, compared with 2,374 in June, 1915. In June the power contracts totaled 2,162 horsepower, compared with 2,216 horsepower in June, 1915.

American Light & Traction.—Total surplus for the year ended June 30, 1916, was $11,374,789, compared with $10,194,492 in 1915.

Chicago Telephone Co.—Reports for 6 mos. ended June 30 showed total operating revenue of $9,666,431, compared with $8,597,841 in same period of 1915, and operating income of $2,264,841, compared with $2,010,968.

Cities Service Co.—For first 7 mos. of 1916 this co. came within $86,297 of earning all its preferred dividends and cash and stock dividends on its com. stock for the full 1916 year. During this period gross income increased $2,354,061, net earnings $2,317,416, and net income applicable to payment of dividends gained $2,348,298 over corresponding period of 1915. For 12 mos. ended July 31 net income was 3.34 times requirements for pref. dividends, compared with 2.10 times in preceding year, while surplus for com. was equivalent to 25.83%, compared with 11.84% for 12 mos. ended July 31, 1915.

Dayton Power & Light.—July gross was $116,895, a gain of $40,863 over July, 1915, while net was $42,750, an increase of $7,462; surplus after charges was $23,088, a gain of $5,922; and balance for com. stock $8,275, an increase of $2,047.

Detroit United.—In 1916, after setting aside $750,000 for depreciation reserve, this company should have a surplus for the stock of $1,954,941, or 15.74% on the $12,500,000 outstanding. This compares with 9.69% in 1915.

General Gas & Electric.—Gross earnings of this co. for 6 mos. ended June 30 were $1,383,500, an increase of $225,527 over same period of 1915, and net was $491,455, an increase of $87,889. This co. controls, through stock ownership, 18 subsidiary corporations serving 76 communities.

Idaho Power Co.—A new company has been formed under this name with a capitalization of $17,000,000. Companies merged into Idaho Power include Idaho-Oregon Light & Power Co., Idaho Railway, Light & Power Co., Idaho Power & Light Co., Great Shoshone & Twin Falls Power Co., Southern Idaho Water Power Co., Jerome Water Works Co., together with a number of properties controlled by these corporations. The new co. will operate in every city and town in the great Snake river valley except the two supplied with government power.

Illinois Traction.—Net earnings for first 6 mos. of 1916 were $2,214,103, a gain of 9.26% over first 6 mos. of 1915.

Kansas City Railway.—Net earnings for year ended May 31 were $2,466,373, an increase of $268,951 over previous year, and surplus was $513,259, an increase of $174,768.

Massachusetts Gas Co.—Combined net earnings of subsidiary cos. available for dividends for July were $224,305, an increase of $24,293, or 12.15%, as compared with corresponding month a year ago.

Montana Power.—Net earnings for 6 mos. ended June 30 were $2,216,500, compared with $1,345,195 in same period of 1915, and balance for dividends was $1,551,604, compared with $789,277 previous year.

Northern Ohio Traction & Light.—At special meeting stockholders authorized issue of $14,075,000 first lien refunding bonds, of which $4,000,000 will be used for immediate improvements and the balance from time to time for refunding underlying bonds and other corporate purposes.

Pacific Telephone & Telegraph Co.—Report for 6 mos. ended June 30 shows total operating revenue $9,750,228, compared with $9,298,647 in corresponding period of 1915, and operating income of $2,214,389, compared with $2,209,594.

Republic Railway & Light.—For first 7 mos. of 1916 earnings showed balance available for dividends on the com. at annual rate of 7.09%, compared with but 2.12% for first 7 mos. of 1915. July gross increased 30.12%, net 21.47% and surplus 35% over July, 1915.

United Light & Railways.—Net earnings for 12 mos. ended June 30 were $2,666,768, compared with $2,377,239 in 1915, and net profit was $1,270,099, compared with $1,031,056.

United Railways & Electric.—Is understood to have shown a gain in gross of between $200,000 and $300,000 the first half of 1916.

United Railways Investment.—The $200,000 serial notes of this co. due Aug. 16 are being paid. In 1908 there were $3,500,000 of these issued and regular payment of variout maturities has reduced this amount to $300,000, of which $200,000 is due Feb. 15, 1917, and $100,000 Aug. 15, 1917.

Utah Securities Corp.—Net earnings for year ended July 31 were $2,872,269, compared with $2,306,288 previous year. These are earnings from operation of properties of subsidiary cos. and not the earnings of Utah Securities Corp.

Western Union.—Operating income in first 6 mos. of 1916 was $7,943,539, an increase of 24% over corresponding period of 1915. Increase in June over June, 1915, was 10%.

Public Utility Inquiries

Standard Gas & Electric Pfd.

K. P. T., Syracuse, N. Y.—Standard Gas & Electric preferred is a decidedly speculative stock, but it appears to have possibilities. For the year ended December 31, 1915, the company earned 5.6% on preferred stock, which is paying 4%. The preferred stock is entitled to 8%. It can readily be seen, therefore, that the preferred stock will receive all the dividends that they possibly can afford to pay for a long time to come.

Am. Light & Traction

L. F., Pawtucket, R. I.—American Light & Traction (374 bid, 378 asked) controls public utilities scattered throughout the country. The management is regarded as highly efficient and the company's earnings have shown a steady increasing tendency. In 1915, 24.6% was earned on the common stock, as against 22.5% in 1914. For the 12 months ended March 31, 1916, net was $5,272,106, as against $4,397,942 for the 12 months ended March 31, 1915. Surplus after charges was $1,071,174. The company is paying 2½% quarterly in cash dividends and 2½% in stock. The stock can be regarded as an attractive semi-speculative investment, but we regard its present price as high enough, when it is considered that the company is earning only 25% on the common. We would be inclined to wait for a recession in price before purchasing.

United Light & Railways

C. B., Grand Rapids, Mich.—United Light & Railways (common 50) is showing a steadily increasing earning power, and we believe the common stock has very fair prospects of working somewhat higher. You paid a rather high price for this stock, and we do not believe it will go back there in the immediate future. The company, however, is in good financial condition, and with business increasing, dividends on the common do not appear so very far off. Our suggestion is that you hold the stock.

United Gas & Electric

W. G., Bay Head, N. J.—United Gas & Electric Corporation 2nd Pfd. was quoted recently 16 bid, 19 asked. There is $11,639,000 of the issue outstanding. At the present time this company is earning enough to pay its dividend on the first preferred and leave a small balance for the second preferred, about 1%. All things considered, we believe the stock to be selling high enough. We do not look for dividends on this issue for some time to come.

Securities Corp.

F. P. D., Pawtucket, R. I.—The Securities Corporation 6% stock is 85 bid, 90 asked. This stock must be regarded as semi-speculative. The company is a holding company and has invested its funds in stocks and bonds of public utilities. Earnings have barely been sufficient to cover the 6% dividend. Generally we are not inclined to favor the securities of holding companies such as this.

General Gas & Electric

W. K. C., Washington, D. C.—General Gas & Electric has outstanding $1,900,000 first preferred, $3,000,000 7% convertible preferred, and $3,500,000 common. Earnings have been showing a healthy increase. In 1915 surplus available for dividends was $114,071; in 1914, $82,747; in 1913, $78,171. Preferred dividend requirements, however, are now $283,000 and prospects for the common stock do not look very good to us. Our suggestion would be that you sell it out.

United Ry. Investment

L. L. P., Brooklyn, N. Y.—United Railways Investment (Com. 9½, Pref. 20) is not likely to go into receiver's hands. This company owns a large interest in the United Railroads of San Francisco, which company has planned a reorganization of its capitalization, and which plan is waiting to be approved by the California Railroad Commission. Should the plan be approved it would be a favorable development for United Railways Investment and might cause its stock to advance somewhat. It is decidedly speculative, however, and our suggestion would be that you let it alone. Moreover, it has a rather wide market.

Interborough 5's

P. K., New York City.—Interborough Rapid Transit 1st and refunding 5's can be regarded as a conservative investment bond. Under the agreement with the city, the interest on these bonds must be paid and their amortization provided for before either the city or the Interborough Consolidated Corporation share in the earnings of the subway system, when completed.

Cities Service—Middle West Utilities

J. D. H., Chicago, Ill.—Cities Service, Preferred (88½), Public Service Co., Preferred (102), and Northern-States Power, Preferred (95), we regard as good investment stocks. Middle West Utilities, Preferred (78¼), and Consumers, Preferred (80¼), can be regarded as fairly attractive semi-speculative investments.

The Management Respectfully Requests

your valued opinion in regard to THE MAGAZINE OF WALL STREET. It is our policy to constantly improve this publication—to make it bigger, broader and ever better—and we can think of no more certain way to accomplish those ends than by finding out which features appeal to our readers the most.

Below you will find a list of the important features which appear in the magazine. Kindly number them in the order of your preference.

We Value the Truth

Be frank in your criticisms—we have always been outspoken in telling the truth and we can stand the truth from you, our readers. If there are some things you don't like, tell us what they are and why, and we shall consider ourselves indebted to you.

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Ideas Are Progress

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THE EDITOR.

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....Bargain Indicator
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Mail to the Editor, THE MAGAZINE OF WALL STREET, 42 BROADWAY NEW YORK

MINING AND OIL

Saint Mary's Mineral Land—A Michigan Mining Romance

Absorbing Tale of the Development of a Remarkable Property—"Irish" Dividends—The Shy Mr. Lawson—Present Yield and Prospects for the Stock

By JOSEPH F. PRESTON

ONE time the State of Michigan wanted a canal built around the Sault Ste. Marie rapids connecting the Great Lakes. The State was stone broke, poor in cash, but rich in lands, and some enterprising gentlemen from Boston said they would build the canal if the State would give up some of its lands. Their proposition was accepted.

They dug the canal, little thinking it would develop into the great Soo Canal of today, which every year freights a greater tonnage through its locks than the Panama and the Suez canals combined.

For digging this canal the State handed the gentlemen from Boston a vast tract of land in the upper peninsula of Michigan, known today as the Lake Superior Copper District. The land was covered with primeval forest and the larger portion of it so remains to this day.

It was said to contain mineral deposits. Indians had found copper there from which they had fashioned rude arrowheads. But at the time the Boston gentlemen came into possession of this land there wasn't any overpowering demand for copper. Electricity, as it is known today, did not exist; automobiles were only a dream and the telephone was an unknown quantity. Makers of candlesticks and ornamental brass workers created a limited demand for copper, but it was feeble indeed compared to the present enormous demands.

The Boston gentlemen were divided as to whether or not the State had handed them a lemon. Having dug the canal they evinced no desire to dig for copper. A corporation was formed, known as the Saint Mary's Canal Mineral Land Company, and the gentlemen from Boston sat tight awaiting developments.

Enter Mr. Aggasiz

We insert here a reel showing Mr. Alexander Aggasiz. He was a professor of geology at Harvard College, and one summer, while studying the rocks of Michigan, he arrived at the conclusion that if he could get the money he could open up a pretty good copper mine on the lands owned by the Saint Mary's Company.

His father-in-law was induced to come across with a small advance payment, and Alexander bought a good-sized slice of land from the Saint Mary's Company and started in.

For seven years Alexander stuck to the job with never a let up. He toiled and slaved with shovel and drill, and one time walked forty miles on snow shoes to get the money to meet the payroll, which had been held up for some little time. In fact, his father-in-law and all his wife's relations back home had to hustle to get the money to keep Alexander going.

At the end of seven years Alexander had opened up one of the best little copper mines that the world has ever seen. He then came back to Boston, and the dividends have been coming back ever since. Up to date of release of this romance, that copper mine, the Calumet & Hecla, had paid a total of $132,250,000 in dividends. Just now the Calumet & Hecla Mining Company is disbursing

dividends of \$60 per share, \$6,000,000 per annum, on its capital stock of 100,000 shares, par value of shares, \$25.

No sooner had Prof. Aggasiz demonstrated that the Saint Mary's lands contained copper in paying quantities than other aspiring gentlemen set about opening copper mines, buying their land from the Saint Mary's company.

There resulted the Osceola, which has paid \$14,294,975 in dividends; the Tamarack, which has paid \$9,420,000; the Wolverine, which has paid \$8,760,000; the Mohawk, which has paid \$5,475,000; the Quincy, which has paid \$22,547,500; Ahmeek, which has paid \$5,265,000; and Copper Range, which has paid out \$16,783,748 in dividends.

A Boston Copper Boom

We will now change the reels and show one of the periodical copper share booms that hit Boston every eight or ten years.

Years have elapsed. Electricity and the telephone have created a lively demand for copper. The price for the metal is steadily advancing. Supply finds it difficult to keep up with demand.

A new generation has come along. The sons of the old Saint Mary's stockholders, who had inherited the stock, got together and said:

"Did you ever see such a lot of suckers as our dads were? Selling all that rich copper land to the Calumet & Hecla, the Osceola, the Wolverine, the Mohawk, and all those other rich mining companies for almost nothing? Now we will run this thing right. We got tens of thousands of acres of land left. There must be millions of dollars' worth of copper in that land."

So they took out elastic articles of incorporation under the New Jersey laws, formed a holding company, took over the old Saint Mary's Canal Mineral Land Company, called the new company the Saint Mary's Mineral Land Company, cutting out the canal altogether, and they said:

"Now we'll show you how to operate copper mines."

Maybe you think they run the new company the way they do in the movies, where the pale-faced hero takes hold of pa's old run-down harness shop, puts ginger and efficiency methods into the business, makes millions, and marries Mary Pickford in the eighth reel.

The winds of destiny always blow a favorable gale in these screen romances, but somehow in the romance of fact we don't seem able to get the breezes wafting in the right direction.

The new company refused to sell any more land except at prohibitive figures. They were, however, willing to sell land and take payment in stock of companies formed for the purpose of operating copper mines on its lands. Under this arrangement, some seventeen companies were formed to operate copper mines on the Saint Mary's lands, paying for their land with capital stock.

In Michigan they form a company to mine copper with a capitalization of \$2,500,000, 100,000 shares, \$25 par. They pay in, say, \$10 a share. Then proceed with mining operations until this capital is exhausted. Then they levy an assessment of \$1 or \$2 or \$5 a share, and work that out. Assessments can be called until the entire \$25 per share is paid in. The hope and expectation is that long before the last and final assessment is called they will have penetrated into rich rock and open up a second Calumet & Hecla.

"Irish Dividends"

Right here we will insert a reel showing a meeting of the Board of Directors of the Saint Mary's Mineral Land Company after those seventeen copper mining companies got into operation.

The chairman of the board arises amid a profound silence and, in cold-blooded, matter-of-fact tone, says:

"Gentlemen, the chairman of your board announces that the Winona Copper Company, of which company your corporation holds 56,776 shares, has declared a dividend, an Irish dividend, of \$4 per share, payable \$2 per share now and \$2 per share two months hence. All unpaid assessments will be charged at the rate of 6 per cent. per annum until paid."

The other members of the board try to look cheerful.

"I have also to announce," says the frosty chairman, "that the Champion Copper Company, of which your company owns 50,000 shares, has likewise declared an Irish dividend of \$5 per share, said dividend being the seventeenth Irish dividend which that company has assessed against us, and same will be payable five days from date."

The members of the board begin to look as though they hadn't a friend in the world.

"I would also further announce," says the chairman in those icy tones with which only a Boston man can speak, "that the Houghton Copper Company, of which corporation your company holds 37,222 shares, has declared also an Irish dividend of \$2 per share, payable one month from date."

After which the board would adjourn, and the directors would sneak for the door and run for their lives lest the chairman call them back and announce that through an oversight he had neglected to state that others of their seventeen mining companies had also declared dividends, payable the wrong way.

Don't get discouraged and drop off to sleep. This romance is going to break right in the final reels. A romance is no romance at all until the audience is fully convinced that the hero is so deeply in trouble that no power on earth can pull him out of the hole.

The Shy Mr. Lawson

There is in Boston a shrinking personage, Thomas W. Lawson, who from time im-

memorial has been known as a copper king. God knows how he ever earned this title. He certainly never mined any copper from the soil. But as a miner of good hard dollars from the public few have been able to excel Thomas W.

In staging this romance it becomes imperative that we introduce this Charlie Chaplin of the copper kings, because it is the fact that at one time Mr. Lawson tried to mine some copper from the lands of the Saint Mary's company.

A moving picture director would stage this drama with telling effect. There would be the villains in the play, those old broken down actors who, before the advent of the movies, used to stride the boards acting Shakespeare.

Dressed in the habiliments of miners we would see them descend into the mine, and with many crafty backward looks carefully and systematically salt the mine.

In another picture you would see them meet the trusting capitalist. They would take him down into the mine and he would pick up the golden nuggets that they had scattered about. Then you would see him pay over big bundles of thousand dollar bills, which the conspirators would take, and beat it.

An abrupt flashing of a new picture—the ruined father, the poor girl driven into the street by the merciless creditors, the shaking hand of the dupe as he picks up a revolver, a flash of smoke, the light fades, and while you are wiping away the tears a new reel is inserted, entitled "Don't Call the Bulldog, Willie Is Wiping His Feet."

In the movies, mind you, this takes place. Listen to how they do it in real life.

No such spectacular operations were ever witnessed in the Lake Superior Copper District as took place when Tom Lawson got hold of a tract of Saint Mary's lands and launched the good ship Arcadian, a copper mining company that was destined, so Mr. Lawson said, to make Calumet & Hecla look like 30 cents.

Shafts went down with marvelous celerity, enormous shaft houses, ore bins, mills, dwelling houses rose with Aladdin-like speed. Mr. Lawson issued hourly bulletins showing that Prof. Aggasiz and everybody else that ever tried to mine copper was a piker compared to him. None of your seven-year jobs. He was going to put Arcadian on a dividend basis in from 60 to 90 days.

Never was there such excitement in the staid old town of Boston, and never was there such a rush to buy stock as ensued in the mad scramble to get aboard the good ship Arcadian. The stock went up and up, seemed as though there wasn't any top to it.

The Chartered Accountant Kill-Joy

It is with genuine regret that we introduce a chartered accountant into this romance. Gentlemen of this calling are an extremely difficult subject for the movie camera. They cannot be faked.

After the Arcadian mine had been in operation some little time and the anxious stockholders were clamoring for an early dividend, as promised, the chartered accountants, after careful examination of the books of the Arcadian Copper Company, announced that the red metal forthcoming from the Arcadian mine was really a negligible quantity. In fact, it was costing something like 30 cents a pound to produce the very small quantity that the mine was giving up. The market price for copper was around 15 cents a pound, and the books, true to form, showed an appalling deficit.

Arcadian, which was selling on the Boston Stock Exchange at a valuation of $12,000,000, dropped in a series of dull sickening thuds to a valuation of $60,000.

The chairman of the Antiquarian Society of the Boston Stock Exchange will verify these figures, and he will quote Arcadian for you today, split two ways into New Arcadian and New Baltic.

And so the years rolled on, as years have a way of doing, except in the movies where years simmer down to seconds, and after a time one of the Saint Mary's seventeen copper mines did begin to make a little money. It actually began paying dividends, the Right Way, and was just about keeping up the assessments on the other sixteen mines when the Battle of Fate, with which the discouraged stockholders had so long contended, turned against them and they were thrown into a life and death struggle with Battling Bob LaFollette, United States Senator from the State of Wisconsin.

Up in Minnesota are immensely rich iron ore mines, and they have a way of assessing taxes in municipalities of that State in a manner that makes living in a town where a rich iron ore mine is located an Utopian existence. Every voter gets elected to office and draws a fat salary, and they have municipal baseball teams drawing big league salaries, which the stockholders of the iron mines pay, because they have to.

When Battling Bob heard of this he said: "Look at what the Saint Mary's fellows have got up in that rich Lake Superior Copper District, 107,000 acres of that rich copper land. Probably a billion dollars' worth of copper in that land, and yet they sit, doing nothing, paying practically nothing in taxes. Let's get hold of one of those porphyry copper tonnage boosters, and we'll put the skids under that Saint Mary's bunch and make them come across."

House Bill No. 114

So they introduced House Bill No. 114 into the Michigan legislature, which was duly enacted into law, and in the summer of 1911 came one James R. Finley, a mining expert, to block out the tonnage of copper ore owned by the mining companies of Michigan and to get a valuation on that

ore so that the State of Michigan could get a rake-off, and Battling Bob could show the people that he was on the job.

Somehow these porphyry copper ore mining engineers can pick out a barren desert where nothing but cactus plants will grow, percolate the landscape with drill holes so that it looks like the holes in a skimmer, and then they will tell you they got an immensely rich copper deposit of 329,000,000,000 tons, averaging 2¼ per cent. copper, which will concentrate into 14 per cent. copper. Then they put up a mill, build a railroad, boil and roast the soil and put it through a chemical solution, and sure enough the thing pans out to a penny just the way they said it would.

But up in the Lake Superior Copper District you can't do things that way. James R. Finley, the mining expert, did his darndest to earn his fee. He compiled statistics, explored the mines, and when he got through and analyzed his data and submitted his report to the Board of Assessors of the State of Michigan, the copper mines of the Lake Superior Copper District made a sorry exhibit.

His report said that the Winona mine, of which Saint Mary's was a big stockholder, was "absolutely unprofitable." He said that the LaSalle mine, one of Saint Mary's big hopes, was "hopelessly unprofitable." He appraised the value of the Tamarack mine at zero, and for months the Calumet & Hecla Mining Company have been bidding $59 per share for the stock, and not getting any. He said that Tri-Mountain, a copper mine that Messrs. Lawson and Burrage unloaded on Copper Range Company at a cost of millions, was worth just $165,000.

He even intimated that Saint Mary's lands were not an asset but a liability, and he inserted a column of figures showing that Saint Mary's Mineral Land Company had paid out $1,176,936.46 in assessments, and so far as he could ascertain they would go on paying assessments until doom's day.

Those porphyry lightning calculators do better on their native heath down among the cactus plants than they do in the Lake District.

It was an overwhelming defeat for Battling Bob. Mr. Finley's figures took all the wind out of his sails. But it was a hollow victory for Saint Mary's, because no man could read that report to the Tax Assessors and see anything in the Michigan copper mines or the lands owned by the Saint Mary's company.

Still you cannot always tell how things are going to pan out. Even a porphyry ore prophet might make a mistake.

We will now insert a reel that will make even a hardened movie picture director sit up and take notice. We will outmove the movies and will show you that the thing which couldn't happen has occurred.

Once more we will introduce a scene with the Board of Directors of the Saint Mary's Mineral Land Company seated around the mahogany table.

The chairman of the board arises and says:

"Gentlemen, I have to announce that the year just ended has been a period of great prosperity for your company owing to the very heavy dividend disbursements of the Champion Copper Company. These dividends amounted to $3,100,000, payable the Right Way. The Champion made a very much larger copper output than during any previous year in its history, and the present year is opening auspiciously with large prospective output and high prices for the metal."

Whereupon the Board of Directors gave three rousing cheers for the Champion, thanked the chairman for the dividends paid during 1915, amounting to $8 per share, paid the Right Way, together with a disbursement of one-seventeenth of a share of North Lake Mining Company, and one-eighth of a share of Hancock Consolidated Mining Company stock, for each share of Saint Mary's, and most joyfully adjourned.

Some Interesting Figures

To give you an adequate idea of just how well that Champion mine did last year, 1915, we will insert a reel that graphically tells the story:

Pounds of copper produced	33,407,599 pounds
Percentage of increase over previous year...	111.3 per cent.
Copper yield per ton of rock stamped	36.17 pounds
Percentage of increase per ton over previous year	40.6 per cent.
Cost per pound for production of copper.....	6.30 per pound
Percentage of decrease of cost over prev. year..	31.5 per cent.

For many years it has been the cry of promoters of copper mines that they had the only and original sure-to-be Second Calumet & Hecla. That cry has got to give place to the only and original sure-to-be Champion, for it is the actual and indisputable fact that the Champion mine has got the Calumet & Hecla beat to a frazzle.

Just now the Champion Copper Company is disbursing regular monthly dividends of $6.40 per share or $76.80 per share per annum, while the Calumet & Hecla Mining Company is paying a miserly little $60 per share per annum. It cost Calumet & Hecla 9.33 cents per pound to produce its copper in 1915. It cost Champion 6.30 cents per pound to produce its copper. The Calumet & Hecla is an old mine. The Champion is a new mine.

Which is the better mine?

The Saint Mary's Board of Directors are meeting each month now and declaring dividends of $2 per share per month, payable the Right Way. You couldn't buy an acre of the 107,000 acres if you covered it with

diamonds, and if some of those other sixteen copper mines begin to penetrate rich rock, Saint Mary's stock will disappear from the Boston Stock Exchange, because it won't be for sale at any price.

The annual report of the Saint Mary's Mineral Land Company is a consumptive looking document. If brevity were the soul of wit, then the Saint Mary's Annual Report would be an exceedingly humorous pamphlet.

To show you what it looks like we will insert a reel showing a statement of its assets and liabilities on December 31, 1915:

Land unsold ....93,012 69.100 acres
Mineral rights to........14,132 96.100 acres
50,000 shares of stock of Champion Copper Co.
79 shares of stock of Hancock Consolidated Mining Co.
20,165 shares of stock of LaSalle Copper Co.
20,000 shares of stock of Pacific Copper Co.
208 shares of Copper Range Co.
56,778 shares of Winona Copper Co.
80 shares of stock of Old Colony Copper Co.
25,000 shares of stock of Mayflower Mining Co.
640 shares of Saint Mary's Mineral Land Co.
2,000 shares of stock of Ojibway Mining Co.
1,571 shares of stock of Franklin Mining Co.
37,222 shares of stock of Houghton Copper Co.
8,340 shares of stock of Naumkeag Copper Co.
17,902 shares of stock of Douglas Copper Co.
100 shares of stock of D. A. Stratton Co.
10 shares of stock of Amphidrome Co.
Notes receivable $34,446.23
Cash on deposit................. 289,544.32
Liabilities .... None

When one of the copper mine promoters comes to you—and the woods are full of them nowadays—and tells you that the richest man in town has just bought 14,000 shares of Hercules Horseshoe Consolidated Copper Mine Company, or some other old pup that hasn't got a ghost of a show of making good, and that you can have a few hundred shares at 50 cents a share, sure to go to $90 a share six months from date, you hand him this story of Saint Mary's.

Saint Mary's has only 160,000 shares of stock outstanding, and fully 90 per cent. of this stock is locked up in estates and trusteeships so that it cannot come on the market. When you buy some of the popular favorites, like Kennecott Copper or Utah Copper, you buy into corporations having 3,000,000 and 1,624,490 shares respectively. A five-point advance in Kennecott Copper means an appreciation of $15,000,000. A five-point advance in Utah Copper means an appreciation of $8,122,450. A five-point advance in Saint Mary's means an appreciation of only $800,000. The execution of an order for 1,000 shares of Kennecott Copper or Utah Copper would not put the stock up an eighth of a point. The execution of an order for 1,000 shares of Saint Mary's would lift it at least eight points. Try it.

If this year the Champion mine should increase its production 100 per cent., and last year it increased its production 111 per cent. over the previous year, it would mean, during 1916, a production of approximately 66,000,000 pounds of copper. Last year, selling its copper at 17.40 cents per pound, Champion made a profit of 11.10 cents per pound. Copper has ruled at very much higher prices the first half of this year, well over 25 cents per pound. Assuming that this year Champion would receive a profit of 19 cents per pound for its copper, it would show earnings of $12,450,000, equal to $125 per share on its 100,000 shares. As Saint Mary's owns 50,000 shares of Champion its income from this source would be $6,250,000, equal to approximately $40 for each share of Saint Mary's stock.

A Strong Board

No other copper producing corporation has so strong a Board of Directors as has Saint Mary's. Richard Olney, Secretary of State during Cleveland's administration, is a director. Eugene V. R. Thayer, one of the richest men in Boston, is another. A. S. Bigelow, who has owned and developed some of the greatest copper mines in the world, is another.

If Saint Mary's sold at $100 per share it would net on its present dividend rate 24 per cent. A 10-share lot of Saint Mary's brings in an income of approximately $5 per week to the holder, and it can be bought today for less than $1,000.

I am firm in the belief that there is not another copper stock that holds out such bright prospects for the future, nor one that will bring in such handsome dividend returns, as will Saint Mary's Mineral Land Co. stock.

OUR DANGER

This is the danger in which we stand today; the danger that, stimulated as we are by abnormal conditions, with an enormous demand upon us for goods at almost any price, we shall become adjusted to these temporary conditions and shall be unable to readjust ourselves to normal conditions without a severe experience.—*George E. Roberts.*

Mining Digest

American Smelting & Refining.—This co. received $54,952,106 from sales of gold during 1915. This is equivalent to over one-half the annual production of gold in the United States.

Arizona Commercial.—Output of copper for first 6 mos. of 1916 was about 2,200,000 lbs. and earnings were close to $350,000, or at the rate of over $1.25 per share for the 6 mos. On July 1 the co. had available cash of about $500,000.

Butte - Ballaklava. — Work of developing ore bodies on the 2,600-foot level has begun and the management expects this vein to prove one of the best the mine has ever had. About 100 tons of ore per day is being hoisted and the returns run about 3% copper.

Butte & Superior.—For 6 mos. ended June 30 earned $5,616,969, which, added to profits of preceding 6 mos., makes total of $10,937,337 for the 12 mos., an amount equal to $40 per share on the 273,000 shares. From earnings of this period $35.50 per share was paid in dividends, substantially over $1,000,000 being added to working capital or expended on construction. For 12 mos. ended June 30 co. produced over 150,000,000 lbs. of spelter. Estimated co. should be able to earn between $15 and $20 per share on 8c. spelter.

Calumet & Hecla.—Produced, including subsidiaries, for first 6 mos. of 1916, 76,784,000 lbs. of copper, which compares with 144,874,000 lbs. in 1915 year.

Cerro de Pasco.—July production was 6,350,000 lbs., the largest for any one month in the co.'s history.

Champion Copper Co.—Declared dividend of $6.40 a share, making total of $37 paid this year.

Chile Copper Co.—Produced 3,574,000 lbs. of copper in July, comparing with 3,610,000 lbs. in June. For 7 mos. ended July 31 co. turned out 23,298,000 lbs. Officials of co. estimate that on Aug. 1 there had been developed on the property 354,130,660 tons of 2% ore, an increase of 50,000,000 tons since April, 1915.

Chino Copper.—Produced during quarter ended June 30, 18,157,923 lbs. of copper, which compares with 16,267,450 previous quarter.

Copper Range.—Declared regular quarterly dividend of $1.50 and $1 extra, payable Sept. 15 to stock of record Aug. 29. Co. earned in first 6 mos. of 1916 over $3,000,000 net, or approximately $8 per share on 400,000 shares. Production this year will be around 40,000,000 lbs., a high record. This does not include Champion's output, in which Copper Range owns a half interest.

Davis-Daly.—Report for June 30 quarter shows receipts $85,398, expenses $93,515, deficit $8,117. Co. produced 402,813 lbs. of copper and 35,478 ounces silver.

East Butte.—Production for July was around 1,900,000 lbs. copper, compared with previous high this year of 1,630,000 lbs. in June. On present basis at which earnings are accumulating, they should not be far from $2,400,000 per annum, or equal to nearly $6 per share. Co. is estimated to have close to $1,500,000 working capital.

Goldfield Consolidated.—Preliminary report for July shows 26,700 tons ore mined with gross value of $183,000. Expenses were $153,000, leaving net of $30,000. Net in June was $40,458 from production of 29,000 tons of ore.

Granby Consolidated.—From its two smelters at Anyox and Grand Forks there was produced in July by this co. a total of 4,268,846 lbs. copper. Now producing about 53,000,000 lbs. annually. Cost is around 10c.

Greene-Cananea.—Produced in July 4,600,000 lbs. copper, 116,800 ounces silver, 745 ounces gold. June copper production was 4,500,000 lbs. Output for first half of 1916 was close to 30,000,000 lbs. copper. Estimated that if present production keeps up co. should show net earnings of close to $8,000,000 per annum or $17 a share on the outstanding 474,000 shares.

Inspiration.—Estimated that company will earn around $18 a share for its stock this year.

International Nickel Co.—Will spend about $2,000,000 on the proposed new refinery which it will erect in Canada to produce all the nickel needed by Great Britain and her foreign possessions. This expenditure will be met from treasury cash which approximates $8,500,000. A subsidiary concern has been formed in Canada to own and operate the new plant and its $5,000,000 capital stock will be owned by the International Nickel Co. The co.'s operations now result in an output of approximately 5,000,000 lbs. of nickel and 3,000,000 lbs. of copper monthly.

Island Creek Coal.—Production for July amounted to 104,400 tons. For 6 mos. preceding July co. produced 1,173,593 tons. On basis of present production earnings would exceed the $1,000,000 mark, or between $4 and $5 per share. In first half of current year earnings were $478,429.

Kennecott Copper. — Properties owned outright by this co. produced 98,000,000 lbs. copper in 7 mos. ended July 31. Kennecott has a 25% interest in Utah Copper Co. and through it an eighth ownership in Nevada Consolidated, and was therefore financially interested in the production of over 130,000,000 lbs. of copper in this period.

Kerr Lake.—July production was 211,000 ounces silver, 20,000 ounces less than in June, the co.'s record output.

Lake Copper Co.—July net earnings were nearly $25,000 net, compared with average of around $20,000 per month for several months past. Co. is estimated to have very close to $300,000 net quick assets, the larger part in cash.

Magma Copper. — Reports for quarter ended June 30 copper production of 2,232,-936 lbs. at a cost of 10.47c. per lb., compared with 2,034,784 lbs. in the March quarter at a cost of 9.13c. Operating profits for June quarter were $305,025, at rate approximately $5 annually on the outstanding 240,000 shares.

Miami Copper.—Estimated co. will earn about $11 a share for its stock this year.

Mohawk Mining.—July production was 1,051,622 lbs. copper. 1916 earnings, it is estimated, will be close to $25 per share, comparing with $15 in 1915. Co. has paid $17 per share in dividends this year. July earnings based on 9c. cost and 25c. copper were approximately $168,295, equal to $1.68 per share for the 100,000 shares.

Nipissing Mines.—In July this co. produced ore yielding a gross value of $288,577, while its shipments in the same period were $280,188.

North Lake Mining Co.—The 60 days' grace during which stockholders in this co. had the privilege of paying the assessment of $1 per share which was due June 14 has expired. Under the Michigan statute stockholders now wishing to pay the assessment are chargeable with interest from the date the assessment became due.

Old Eureka Mining Co.—This company has been formed to take over the old Eureka or Consolidated Amador gold mine of California, the premier producer on the Mother Lode. The old Eureka mine was owned by Hetty Green and has not been operated for 30 years. The Old Eureka Mining Co. is capitalized at 300,000 shares, par $10, of which $200,000 shares are in the treasury. The issued 100,000 shares, at $10 net, have put $242,594 cash into the treasury of the company; the balance, $757,406, being applied on payment for the property.

Osceola Mining.—Estimated to be producing at rate of 18,250,000 lbs. copper annually, at cost of 10½c. or 11c. Surplus of cash and quick assets is estimated at about $25 per share, and its present earnings are at the rate of around $28 annually.

Pond Creek Coal.—In the first 6 mos. of 1916 produced nearly 484,400 tons, which compares with 753,000 tons in the whole of 1915. Earnings of between $1 and $2 a share are anticipated for this year.

Quincy Mining Co.—Declared quarterly dividend of $4 per share, payable Sept. 25 to stock of record Sept. 2, which makes $11 paid this year. Earnings this year are estimated at around $28 per share.

Stewart Mining Co.—The entire $1,000,000 capital stock of the Lone Mountain Silver Lead Co. has been acquired by the Stewart Mining Co., which has issued an equal amount of its stock at par. Stewart stockholders recently authorized an increase in the co.'s capital from $1,250,000 to $3,000,000 for the purpose of buying other properties.

Superior Copper Co.—Report dated May 31, 1916, showed profit and loss surplus of $583,490, compared with $293,397 on same date of 1915. Cash and debts receivable were $168,806, compared with $141,369, and copper on hand $252,578, compared with $195,000.

Tamarack.—Earnings are estimated to be running at the rate of $9 a share from mine production alone. This co. has between $20 and $25 per share of available assets.

Utah Metal & Tunnel.—Preparations have been made for filing an apex suit by this co. against the New England Gold & Copper Mining Co., which is now in hands of receiver, and which is believed to have been working on Utah Metal ground.

Wolverine Copper.—July production was 545,156 lbs. of copper, against 493,378 lbs. in June. At the end of its fiscal period on June 30, surplus was equal to $14.36 a share, totaling $862,529.

Mining Inquiries

Alaska Gold

B. M. C., Washington, D. C.—Alaska Gold (16¾) we believe to have good future possibilities. The management is the best in the country, and while temporary difficulties are being encountered, we believe they will be surmounted, and the company ultimately prove a good money maker. At the same time the recent market action of the stock has been very poor. It has shown decidedly downward tendencies. In other words, Alaska Gold may go lower before it goes higher, judging from its market action. We would suggest, therefore, that you purchase no more at present prices. We believe the trend of the stock market now to be upward and are of the opinion that many of the stocks you are holding have excellent possibilities of working higher. We favor Baldwin Locomotive 78¾, Pressed Steel Car 54⅛, American Smelting & Refining, 99½, the most of the stocks you mention. Our advice, therefore, is to hold your present stocks for higher prices.

Great Nor. Ore

S. T., Chicago, Ill.—Great Northern Ore (39¼) has not in the past shown an earning power which would appear to justify a much higher price. Earnings this year will of course be better than usual, but the company has considerable development work still to do, and we regard it as unlikely that the dividend rate of 50c. per annum will be increased.

Big Ledge Copper

B. B., Washington, D. C.—Big Ledge Copper (3½) has an authorized capital of 1,500,000 shares, par value $5. The company's property consists of 1,170 acres of proven mineralized ground in Yavapai County, Arizona. Recently the Gopher group of patented claims was acquired. Large and valuable ore bodies have been located and production is already started. The management is highly regarded in mining circles. We regard the stock as an attractive speculation.

Tonopah Belmont

P. J. T., Clarksville, Tenn.—Tonopah Belmont (4¼) pays a dividend at the rate of 50c. per share per annum. Earnings are running considerably in excess of dividend requirements and we believe it quite likely that dividend may be increased in the near future. Silver Metal is showing a tendency to advance and it is quite likely that the silver stocks generally will have a move upward. Suggest that you hold your stock for higher prices. While the company's ore reserves are not remarkably large, several promising new properties have been purchased which will probably be actively developed in the near future.

Magma-Chile

N. N. J., Fort Montgomery, N. Y.—Magma Copper (15) we believe to have good investment possibilities. The company is paying 50c. quarterly and is earning more than double this amount.

Chile Copper Convertible Bonds, convertible into stock at par, $25, looks attractive as a long pull semi-speculative investment. This company has what many engineers believe to be the greatest mine in the world, but a great deal of money will still have to be spent for its further development, so that the dividend policy will in all likelihood be conservative for some time to come. A low priced copper we believe to have exceptional merit is Ray Consolidated (24½).

Kennecott Copper

E. G. K., Washington, D. C.—Kennecott Copper (49½) shows you a good profit. The copper stocks generally have shown a decided upward tendency of late, and we believe Kennecott has possibilities of working higher. While Kennecott is earning a great deal more than its present dividend of $6 per share per annum, it is decidedly doubtful whether the dividend will be further increased. Our suggestion would be to put a two-point stop loss order under this stock, and as the stock advances follow it up with the stop loss.

Success Mining

B. T. P., New York City.—Success Mining (33) recently passed its dividend of 3c. monthly, which caused a break in the stock of about 20c. The management made no explanation for the reducing of the dividend, although it is thought that the main reason was the decline in the price of spelter. The future market course of Success will largely depend upon the next official statement of the management. There have been rumors of vanishing earnings, depleted ore reserves and litigation. It is hoped that the next official statement will prove the falsehood of these rumors. Our suggestion is that you hold this stock and await developments.

Zinc Stocks

C. T., St. John's, Newfoundland.—American Zinc (32⅛) appears to be pretty thoroughly liquidated and we are not inclined to the opinion that it will go very much under this level. In view of the fact that the stock shows you a heavy loss at present prices, our suggestion is to hold. It may have a very fair recovery.

Butte & Superior (66¼) is now close to the price you paid for it. Our suggestion is that you be satisfied with a point or two profit, also protect yourself with a stop loss order.

Oil Notes

California Petroleum.—Net earnings for 6 mos. ended June 30 were $580,592, an increase of $31,805 over corresponding period of 1915, and surplus was $319,714, a decrease of $56,137.

Continental Oil.—This co. recently bought the United Oil Co. of Colorado and is spending $200,000 to improve the United refinery at Florence, Colo. Continental secures much of the products it markets from Midwest Refining Co.

Cosden Oil & Gas.—Declared regular quarterly dividend of 2½% on com. stock and an extra dividend of 1% on the com., both payable Sept. 20. Also regular quarterly dividend of 1¾% on pref., payable Sept. 1. June and July net earnings of this co. averaged about $1,000,000 monthly, but August earnings, it is expected, will show a big decline on account of reduction in crude oil.

Federal Oil Co.—Reports that the production of high-grade oil in its Irvine Field, Kentucky, and Electra Field, Texas, will soon increase from 500 to 1,000 bbls. per day. A 150-barrel well was recently brought in on the Irvine property.

Mexican Petroleum.—Reported to have closed contract with Cunard Steamship Co. for fuel oil, and it is said that deliveries will run as high as 50,000 bbls. a day.

Midwest Oil.—Declared dividend of 2% applicable to deferred interest payments on pref. stock, payable Sept. 20 to holders of record Sept. 1. This is third dividend of same rate declared since directors announced monthly extra dividends of 2% until accumulated interest on pref. is paid in full. This will take to the first of the new year.

Ohio Oil Co.—Declared regular quarterly dividend of $1.25 a share and an extra dividend of $4.75, both payable Sept. 20 to stock of record Aug. 22. The extra is the same as has been declared in the last three quarters.

Pan-American Petroleum.—A new 10,000-ton tank steamer has been delivered to this co. by Wm. Cramp & Sons, which will carry about 70,000 bbls. of oil.

Prairie Oil & Gas.—Estimated that shipments in August ran close to 4,000,000 bbls. New lines to the Augusta, Kan., field have added considerable to the earning capacity of the co.

Prairie Pipe Line.—This co.'s business has been practically at capacity throughout the year. It is estimated that earnings will run in excess of the 50% reported to have been earned last year.

Sapulpa Refining Co.—Declared regular monthly dividend of 2% on com. stock, payable Sept. 1 to stock of record Aug. 21.

Sinclair Oil.—Earnings for first 2 mos. of actual operations, May and June of this year, show gross income of $1,795,420, net income $1,634,210. There was due at the same time from subsidiaries about $150,000, which is not included in these figures. Assuming that earnings continue at this rate for the whole year, there should be left, after deductions, about $6,360,000 for the 520,000 shares outstanding, which works out close to $12 per share per annum. Balance sheet of the co. as of June 30 showed working capital of $2,890,000.

South Penn Oil Co.—Declared regular dividend of $5 a share and $3 extra dividend, payable Sept. 30 to stock of record Sept. 15.

Standard Oil of Kansas.—Declared regular quarterly dividend of $3 a share and extra dividend of $2 a share, payable Sept. 15 to holders of record Aug. 31.

Standard Oil of New Jersey.—Declared regular quarterly $5 dividend, payable Sept. 18 to stock of record Aug. 18.

Standard Oil of Ohio.—Declared quarterly dividend of $3.75 a share, payable Oct. 2 to stock of record Sept. 1. This compares with $3 regular quarterly and $3 extra quarterly, the rate being paid on the old stock, which was increased to $7,000,000 by payment of 100% stock dividend on July 31 last.

Texas Co.—Net earnings during the year to June 30 last were $13,898,862, equal to $37.50 per share on the $37,000,000 actually issued stock. As of June 30 net working capital stood at $43,363,000, an increase of $15,117,000 over previous year.

Universal Oil & Gas.—Declared a quarterly dividend of 2%, payable Oct. 1 to holders of record Sept. 15. This co. has just purchased the entire holdings of the Arkansas Fuel Oil Co., consisting of about 800 acres in Licking County, Ohio. It has also purchased a lease of 160 acres on the State School Lands in Green Township, Hocking County, Ohio, and operations are to be commenced at once.

Oil Inquiries

Cal. Petroleum

M. M., Philadelphia, Pa.—California Petroleum (18¼). The flow of oils from this company's wells has been rather uncertain and what the future will bring forth in the way of oil production can only be guessed at. The stock must be regarded as a risky speculation.

Omar Oil & Gas

M. W. S., Brooklyn, N. Y.—Omar Oil & Gas (75c.) must be regarded as speculative. It is largely in the prospective stage but its properties appear to have good possibilities and there are good people interested in the company.

Universal Oil & Gas

B. A. C., Saranac Lake, N. Y.—Universal Oil & Gas ($5) will be traded in on the New York Curb shortly, although no definite date has been determined. This company owns 32,361 acres of proven oil area in Ohio, West Virginia and Pennsylvania. It has 61 producing gas wells and 48 producing oil wells, the latter having a production of 315 barrels per day. There are 270,000 shares of stock outstanding, par value $5.

This company appears to have a property of promise. We are not inclined to favor the oil stocks at the present time, however, as the price of oil is showing a downward tendency, and the production of oil generally seems to be exceeding the demand.

Price of Oil

D. F. P., New York City.—Production of oil has greatly increased and is beginning to exceed the demand. This has caused a reduction in the market price of oil and we believe that it will work still lower. This will naturally adversely affect the earnings of the various oil companies and in addition to receiving less for their oil it is quite likely that they will be obliged to curtail production somewhat in order not to swamp the market. Under these circumstances it is difficult to see how there can be much of an advance in oil stocks and it is quite possible that they will work still lower, although at present prices many of the oil stocks have already discounted these unfavorable developments to a certain extent.

Houston Oil

K. T., Bronx, N. Y.—Houston Oil (16) has never been "boosted" by THE MAGAZINE OF WALL STREET. When it was first put out, this paper pointed out to subscribers who asked our information that it must be regarded as a decidedly risky speculation at the high prices it was then selling for. The inquiry which you refer to and which stated that we believe the company had good future possibilities was written when the stock was selling around $13. At that price we believed that the stock was not selling unduly high. The company's earnings from its timber properties will give it a fair income for several years to come. We have consulted well-informed oil men and they tell us it is unfair to consider the company's oil prospects nil. The company owns some oil property in proven oil territory which has not been drilled at all. The company has completed financing to provide funds for the extensive developments of its oil lands.

The stock is by no means an investment issue. It is a risky speculation, but we do not believe it to be without possibilities.

United Western Oil

S. S., Brooklyn, N. Y.—United Western Oil (1⅛) has 500,000 shares of stock outstanding, par value $1. The company owns 80 acres oil lands at Midway, Cal.; 40 acres at McKittrick, Cal., and 12,500 acres in the Wyoming oil fields. The California properties are now producing 10,000 barrels of oil monthly. It is planned shortly to start active development work on the Wyoming property.

Wayland Oil & Gas

B. T. W., Westminster, Md.—Wayland Oil and Gas (4⅛) owns leases in West Virginia covering 22,580 acres of oil and gas lands. There is $300,000 6% preferred, and $1,500,000 common stock, par value $5. This company has good people behind it and should oil prices maintain a high level for some time to come, it has possibilities of working up somewhat from present levels. We are rather inclined to the opinion however, that the boom in oil has seen its top and for that reason are not inclined to favor the oil stocks generally.

Midwest Oil

F. J. W., Nashua, N. H.—Midwest Oil Company's capitalization is as follows: Authorized and outstanding, $2,000,000 8% cumulative preferred, and $4,000,000 common, par $1. The Preferred stock is entitled to cumulative dividends at the rate of 8% per annum, and to 20% of any remaining earnings applicable to dividends. The other 80% goes to the common stock. The preferred stock has no preference as to assets. There are $78,000,000 6% notes outstanding. The common stock (48) must be regarded as a speculation. We are inclined to the opinion that the boom in oil has seen its top, and we are not suggesting the purchase of the speculative oil stocks at this time. We believe you would do well to close out your Standard Oil of California.

Illinois Pipe Line

G. R. E., Wichita, Kans.—Illinois Pipe Line Co. does not publish any income account. It recently made public its balance sheet as of December 31, 1915, which showed as follows: Assets: Property, $18,905,236; cash and accounts receiveable, $4,461,301; materials and supplies, $149,987; total, $23,516,542; Liabilities: Capital stock, $20,000,000; accounts payable, $181,715; unmatured dividends, $3,000,000; surplus, $334,827; total $23,516,542. Illinois Pipe Line earnings are understood to be showing up much better this year than last and at present prices of around 162, the stock appears to have fairly good possibilities of recovering somewhat.

Successful trading is nine-tenths horse sense.

TOPICS FOR TRADERS

Scientific Speculation

Why Most Persons Lose Money Speculating in Stocks—Reversing the "Process" of Losing—Requisites of Successful Speculation

By ARTHUR L. SARDY

[Mr. Sardy's articles on "Scientific Speculation" will appear serially from time to time in these pages and will later be published in book form. It will interest our readers to know that the principles the author enunciates are not entirely theoretical, but were evolved from more than 30 years' actual market experience. Mr. Sardy belongs to that rare class of theorists who have succeeded in putting their principles into successful practice and the method which he outlines is, therefore, entitled to the most careful consideration by both investors and traders, as it applies to both classes.—Editor.]

MANY years ago I asked on old stock broker in NewYork what proportion of his speculative customers had really beaten Wall Street, and had actually quit with profits. He replied that not one had ever accomplished the feat. Since then I have read numerous articles, and have listened to many arguments aiming to prove that the market is unbeatable. Instances are cited, where men who had amassed great wealth in other pursuits, have lost it in speculation, and have died poor. No one will attempt to deny that this has often happened, and, to my mind, it merely proves that the more clever one happens to be at some things, the more likely one is to be a failure at something entirely different.

Speculation in stocks is a pursuit which requires at least as much study as to be a successful lawyer, preacher or merchant. And yet how few look deeply into it before embarking in it is shown by the fact that practically all amateur speculators confine their operations to the bull side, although from any given point the market is about as likely to go one way as the other.

Admitting that the exceptions are so few as merely to prove the general rule that all who speculate lose, we are confronted with the interesting question, How do they do it with such uniformity? Has each an original method of his own, or do they all follow, in a general way, and unconsciously, a system which, if reversed, would have resulted in profits? I contend, and shall try to prove, that the latter solution is the correct one, because it appears to be a self-evident proposition that if a speculator who has gone broke had done the opposite of what he did the result would have been wealth instead of poverty.

How They All Do It

To begin with, the amateur, as already mentioned, nearly always purchases for a rise, although declines are just as frequent and at almost any time just as likely. This point cannot be too strongly emphasized, because the speculator, who has thoroughly grasped this idea, has progressed far on the road to success, while he who becomes obsessed by the notion that a certain stock can go only one way, is on the brink of disaster. I will not say that it is precisely an even chance which way a particular stock will move from any given point, but the trader must ever keep clearly in mind the idea that his favorite is about as likely to go one way as the other. If you are unwilling to adopt this viewpoint your case is hopeless and your only salvation is to keep out of the game. At this point you will naturally feel like asking, "How am I to trade profitably when you admit

that the market is as likely to go one way as the other?" If you will have patience I will answer your question fully and definitely.

Next to the hallucination that the market can move only one way, the custom of taking frequent small profits and occasional large losses is a most important feature of the methods by which most speculators lose. I regard this so seriously that I do not hesitate to state that anyone who makes more profits than losses is on very dangerous ground. The old saying that "No one ever became poor by taking profits," is as fallacious as most other old sayings. There is no surer way to lose money than by grasping every small profit as soon as it appears in sight, no matter whether you limit your losses to an equally small amount or allow them to assume serious proportions before stopping them. It is easy to say, "Cut your losses short and let your profits run," which is good advice, but the question perpetually arises how short to cut the losses and how far to let the profits run. Any rigid rule applied to both profits and losses will result in a mathematical system which will eventually come out even, less the broker's commission. I shall endeavor to tell you how short to cut your losses and how far to let your profits run without creating a percentage against you.

Another most pernicious part of the method used by inexperienced speculators, and even by some who ought to know better, is that of "averaging down," or buying additional lots of the same stock as it goes against them. The most dangerous feature of this method is that it wins most of the time, so that the speculator who adopts it is lured on by his temporary successes to certain and utter ruin in the end. You can easily figure out what would have happened if you had been short of Bethlehem Steel when it started on its rise, or long of it when it started on the return trip, and had used a method of "averaging." Anyone should, also, be able to see that if you always make your initial trade a small one so as to be in position to "average down," you will make very little when the market goes your way from the start in comparison with what you will lose when it goes an equal number of points against you. The millionaires of the world did not make their fortunes by continually putting additional capital into losing ventures, but by re-investing their profits in those enterprises which were paying the largest returns.

Another Cause of Losses

Still another important feature of the method whereby nearly all speculators get themselves into a position where they must inevitably lose is the almost universal custom of buying on slumps and selling on bulges. The same man who tries to do this would consider it an insult to his intelligence if he were in Chicago and some one should tell him the quickest and safest way to get to New York would be to board a train headed for San Francisco and take a chance that it would turn around and carry him safely to New York; yet is not this pretty nearly what you do when you buy a stock which has started down or sell one which is going up? And is it not evident that if you buy a certain stock every time its price falls to a certain point, and then sell out your long stock and go short every time it rises to a certain figure, you must inevitably be on the wrong side when a violent swing in either direction occurs, and you will lose more money on one such movement than you can possibly have made scalping the market within narrow limits? From the moment when the stock you are playing leaves the rut in which you have been figuring it will stay, you begin to lose, and the amount of your loss is limited only by the amount of your capital. Reverse the process, and when your stock leaves the rut you will be with it. In addition to the main causes which I have mentioned, there are numerous other causes leading to almost invariable failure, sooner or later, but to enumerate them all here would, I fear, merely tend to befuddle the reader whose attention I want to keep clearly on the essential points.

Fundamental Causes of Failure

We have seen that the fundamental

causes of failure are the following:

First. An assumption that, from any given point, a movement in one direction is reasonably certain. You have no chance for success until this error is eradicated from your mind.

Second. A custom of limiting your profits while letting your losses run indefinitely. Even though you limit your loss to the same number of points as the profit which you would have taken, you still have a percentage against you, consisting of the broker's commission. In order to overcome this your average profit must be considerably more than your average loss, so that, even though you take more losses than profits, you will still be ahead.

Third. The habit of buying or selling an additional quantity of stock when a trade already made goes against you, thereby making a big wager when you are in hard luck and a small one when fortune is on your side.

Fourth. The custom of buying on reactions and selling on advances.

Inasmuch as these four are the principal causes of failure we must, in order to insure success, reverse all of them.

Reversing the Process

First. We must assume that the market is about as likely to go one way as the other and must speculate in such a way that our profits will be assured whichever way it goes. Incidentally, it should be mentioned that there are three ways in which any market can go, viz.: up, down, or it may merely "chop" up and down for a considerable period within very narrow limits without showing any decided tendency in either direction.

Second. We must absolutely limit our losses while letting our profits run indefinitely.

Third. We should not increase the size of our trades following losses, but, on the contrary, when we have realized enough profits to materially increase our "surplus," we may increase the size of our transactions by trading in larger amounts of the same stock or by using our method on two or more stocks at the same time.

Fourth. We must learn to go with the market instead of "bucking" it. In other words, when we want to go to San Francisco we must take a train headed west.

Who Should Try It?

I will endeavor to explain how any man possessing enough spare capital to warrant him in speculating at all, may succeed if likewise possessed of the other qualifications essential to success in any pursuit, such as a clear brain, a cool head under exciting conditions, the ability to follow to its conclusion, regardless of criticism, ridicule and hard luck — a course previously mapped out, to take punishment without flinching and come back for more and to disregard all advice. You will be criticised every time you fail to buy at the bottom and sell at the top. Only last week my broker (than whom I have no better friend) called me a "lobster" for allowing a four point profit to slip away, forgetful of the fact that a week previously he had congratulated me on my nerve in holding for seven points.

If you have not the nerve to continue while your capital lasts, till a satisfactory profit is assured, or if you are going to be influenced by advice, either verbal or in print, or if you have other matters of importance to look after, take my advice, leave speculation alone and stick to your present occupation.

Why It Can Be Beaten

If the fluctuations in the prices of stocks were governed entirely by chance, like the ball on a roulette wheel or the cards in faro, it would be as impossible to win in Wall street as it is in either of the games mentioned, because in all games of pure chance the players' capital is finally absorbed by the percentage, no matter how small, in favor of the bank. The brokers' commission on purchases or sales of stocks, together with the government and state taxes, form a similar percentage, but the injection of the human element into the stock market makes it vulnerable because we can figure with certainty that there will be a top to every rise and a bottom to every fall.

(To be continued in an early issue.)

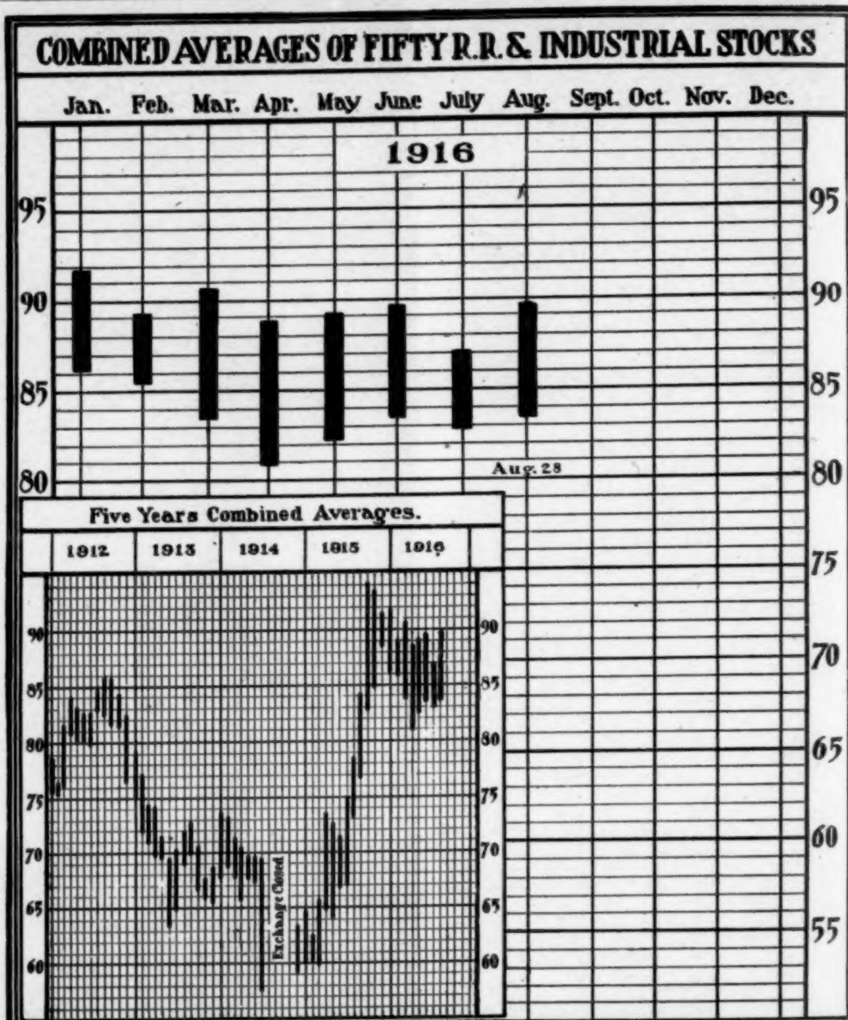
Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Industrials	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1909	1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Inter. Mer. Marine pfd.	$0	0%	....	9.4	8.7	7.3	11.1	....	50.0	....	$99	50.5%	Reorganization plan. Back dividends 82%.
Butte & Superior (par $10)	3	4.3	....	....	....	....	3.5	5.2	33.5	....	69	48.5	Extra dividends.
Amer. Loco. com........	0	0	—3.1	1.3	7.3	0.5	17.7	1.3	—13.0	36.1	78	46.2	Plants at capacity.
Am. Coal Products com.	7	4.7	....	....	....	10.5	10.8	10.3	49.0	....	148	33.1	Extra dividends.
Am. Hide & Leather pfd	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	7.4	12.6	51	24.5	5% div. declared.
B. F. Goodrich com.....	4	5.5	....	....	....	2.4	0.8	4.1	17.17	....	72	23.8	Earnings first 6 months increased 20%.
Willys-Ov'd com ($25 par)	3	6.2	....	....	....	....	6.7	6.5	11.4	....	48	23.8	Outlook bright for 1916. Extra div.
Distillers Securities	6	13.0	2.2	2.3	3.1	1.5	1.2	2.3	4.6	10.6	46	23.0	Large contracts for alcohol taken.
Bethlehem Steel com....	30	6.1	—1.6	6.5	6.7	6.9	27.4	30.6	112.5	....	489	23.0	Turning out shells rapidly and economically.
Amer. Woolen com.....	5	10.6	5.2	2.2	2.1	2.1	—19.9	0	10.8	....	47	22.9	Business good.
Acme Tea com.........	0	0	....	....	....	....	8.5	9.0	6.0	12.0	53	22.6	Increasing number of stores.
Va.-Car. Chem. com....	0	0	7.1	10.4	3.1	3.3	0.5	3.4	7.6	10.3	46	22.3	Prospects for good fertilizer business in 1916.
Studebaker com	10	7.8	....	....	....	4.9	3.1	12.7	27.4	....	127	21.6	Earnings running ahead. Extra div.
U. S. Ind. Alcohol com.	0	0	....	2.0	4.0	5.0	1.9	1.9	33.2	....	114	20,3	War contracts.
Tenn. Copper (par $25).	0	0	1.7	2.3	2.0	5.5	4.9	3.3	5.3	....	27	19.6	Fire interfered with Russian contract.
Central Leather com....	4	7.0	6.3	—2.1	—5.1	8.6	5.2	6.4	10.8	....	57	18.9	Current earnings good. Extra div.
U. S. Rubber com......	0	0	4.0	7.8	2.2	6.3	9.8	8.0	10.0	....	57	17.5	Conserving working capital.
Int. Nickel com (par $25)	6	14.6	....	....	6.9	6.6	2.9	2.8	3.3	6.7	41	16.3	
General Motors com....	20	3.7	....	....	15.7	17.3	38.8	37.5	81.2	....	530	15.3	Business good.
West'h'se El. com (par $50)	3	5.0	....	3.8	6.2	3.1	4.1	5.4	2.4	8.9	60	14.8	War orders.
Chino Copper (par $5)..	5	9.4	....	....	....	2.5	3.5	3.4	7.6	....	53	14.3	Record earnings.
General Chemical com...	6	1.9	14.4	15.6	15.5	14.4	13.4	13.3	44.26	....	310	14.2	War helped business. Extra dividend.
Amer. Agri. Chem. com.	4	5.1	7.5	10.4	9.1	7.3	5.2	7.7	11.0	20.5	78	14.1	
Am. Smelt. & Ref. com.	4	3.9	7.7	7.1	9.1	10.1	7.5	6.0	14.0	....	101	13.8	Doing a big business. Extra dividends.
California Petroleum pfd	4	9.0	....	....	....	....	11.4	11.6	6.1	....	44	13.8	Earnings shown here are before deducting special reserve fund.
Inter. Harv. of N. J. com	5	4.3	17.8	14.8	14.2	15.2	14.5	13.4	16.1	....	116	13.8	Business increasing. Gov't suit.
Amer. Cotton Oil com..	4	7.5	10.4	6.8	—1.2	6.5	3.4	2.0	7.05	....	53	13.3	Controls 17 sub-companies.
U. S. Realty & Imp't...	0	0	9.2	9.7	9.4	8.3	9.2	8.2	5.0	3.7	28	13.2	Business picking up.
Utah Copper (par $10).	6	7.1	2.9	3.4	3.9	5.3	5.0	5.3	11.0	....	84	13.0	Big productions. Extra dividends.
Rep. Iron & Steel pfd..	7	5.3	8.1	11.7	7.8	8.9	12.4	4.1	14.06	....	113	12.4	Earned 15% on common first 6 months 1916.
Miami Copper (par $5).	6	17.1	....	....	0.7	2.8	1.7	1.6	4.5	....	35	12.2	
Nat. Enam. & Stamp. com	0	0	1.1	1.0	1.1	—1.6	1.9	—0.3	3.01	....	24	12.1	Business excellent.

Continental Can com...	5	5.0	....	....	....	....	12.1	4.7	12.05	....	99	12.1	Earnings running ahead.
Amer. Linseed pfd......	0	0	5.8	4.5	2.6	—2.8	3.0	1.8	6.02	....	50	12.0	Earnings reported very satisfactory.
Amer. Can pfd.........	7	6.3	6.7	6.8	7.1	14.2	9.7	10.7	12.2	....	111	11.9	Arrears 8¾%. Big war orders.
Corn Products pfd......	5	5.5	8.2	6.9	7.0	6.8	7.6	7.7	10.62	....	90	11.8	Div. in arrears 18%. Business good. Gov't suit.
Ray Cons. Cop. (par $10)	2	8.0	....	....	0.2	1.3	1.8	1.6	2.9	....	25	11.6	Record earnings.
N. Y. Air Brake	8	5.8	....	4.5	0.5	5.7	6.5	6.4	15.43	....	137	11.2	Big war orders.
F. W. Woolworth com..	8	6.4	....	....	....	8.9	11.0	10.7	13.4	....	124	10.8	Expects to show record year.
Western Union	5	5.2	5.8	5.7	5.4	4.0	3.2	5.4	10.24	....	95	10.7	Earnings big. Extra dividends.
Mex. Petroleum com...	0	0	....	....	4.6	5.9	11.2	4.7	10.5	....	101	10.4	
Crucible Steel pfd......	7	5.9	8.2	14.5	10.2	13.7	19.6	4.1	12.3	....	118	10.4	Back dividends 23¼%.
U. S. Steel com.........	5	5.1	10.5	12.3	5.9	5.7	11.1	—0.3	9.94	....	97	10.2	Steel business booming. Extra dividend.
Am. Beet Sugar com...	6	6.7	7.0	7.3	10.9	13.5	3.9	2.3	8.7	19.2	89	9.7	Earnings big.
Amer. Tobacco com....	20	9.0	....	....	....	30.4	28.1	21.0	21.0	....	222	9.4	Earnings showing big gains.
Pacific Mail	0	0	—1.7	—1.1	—1.0	—0.1	0.1	1.5	2.4	....	26	9.2	New interests in control.
North American	5	7.4	6.0	6.2	6.2	7.2	6.7	6.4	6.1	....	67	9.1	Controls St. Ry. & Elec. Light Cos. in No'west.
S. S. Kresge com (par $10)	0.6	5.0	....	....	....	0.8	1.4	2.0	1.1	....	12	9.1	Business good.
Baldwin Loco. com.....	0	0	....	....	1.4	11.5	13.1	....	7.14	....	81	8.8	War orders.
Allis-Chalmers pfd	6	7.7	....	....	....	....	4.6	—0.2	6.8	....	79	8.6	11½% back dividends due.
Sears Roebuck com.....	7	3.3	18.4	20.5	17.0	19.3	21.2	14.5	17.6	....	210	8.3	Earnings good.
Anaconda (par $50)....	8	9.0	3.6	3.5	3.8	7.2	5.6	3.9	7.2	....	87	8.3	
People's Gas. Lt. & Coke	6	5.8	8.9	9.0	8.9	7.5	8.2	8.6	8.38	....	102	8.2	Price of gas in dispute.
U. S. Cast Iron Pipe pfd	2	3.7	1.2	4.4	3.9	4.2	4.7	.06	4.3*	....	54	7.9	Business picking up.
Diamond Match	7	5.9	11.0	11.6	12.6	13.2	11.0	9.1	9.4	....	118	7.9	Extra dividends.
Maxwell Motor com....	10	12.0	....	....	....	....	....	0.3	6.5	....	83	7.8	Record earnings.
National Lead com.....	4	6.0	6.2	4.3	3.6	3.8	3.6	3.7	5.0	....	66	7.5	
Inter. Paper pfd.........	2	2.8	2.7	4.5	5.3	5.4	4.4	5.1	5.0	....	71	7.1	31% cum. div. in arrears. Earnings improving.
Amer. Tel. & Tel.......	8	6.1	9.0	10.4	10.0	9.3	9.6	9.4	9.4	....	131	7.1	Large equities in sub. co. earnings.
Union Bag & Paper pfd.	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	....	46	7.1	Capital readjustment. Earnings good.
National Biscuit com....	7	5.8	7.4	7.7	9.8	10.0	9.6	11.7	9.5	....	120	6.8	Increased cost of materials unfavorable factor.
General Electric	8	'4.6	7.4	16.7	14.5	16.2	12.9	11.1	11.6	....	172	6.7	Working at capacity. War orders farmed out.
Pressed Steel Car com..	4	7.5	7.7	5.5	0.1	0.8	10.5	0.1	3.59	....	53	6.7	War orders.
Greene-Cananea Copper.	8	17.0	....	....	....	4.3	2.3	1.9	3.0	....	47	6.4	
Ry. Steel Spring com....	0	0	5.3	6.0	0.3	5.8	1.3	—4.2	3.09	....	48	6.4	1916 outlook bright.
Cons. Gas (N. Y.)......	7	5.0	6.7	7.4	7.6	7.5	7.2	7.1	8.5	....	138	6.0	Sub. cos. have large undistributed surp. Ex. div.
Pittsburgh Coal pfd....	5	4.8	3.0	7.2	5.1	7.5	10.1	5.1	6.1	....	103	5.9	New company formed.
Pullman	8	4.8	10.9	11.6	9.3	8.7	9.3	9.0	8.8	....	166	5.3	Earnings good.
Amer. Sugar Ref. com..	7	6.3	3.9	3.8	9.6	8.7	1.9	4.3	5.5	....	110	5.0	
Amer. Car & Fdy. com..	2	3.2	2.6	6.6	7.1	2.5	4.1	5.5	0.1	2.8	62	4.5	War orders.
Sloss-Sheffield com......	0	0	6.6	2.0	—.06	0.8	2.1	0.2	1.7	....	50	3.4	
Amer. Malt Corp. pfd...	2	5.0	6.2	3.0	8.8	9.3	4.6	3.7	0.1	....	40	.02	Divs. in arrears 30½%. Business increasing.
Internat'l Agricul. pfd..	0	0	....	....	....	....	....	2.3	—1.2	....	43	0	Profits from sulphuric acid sales.
Amer. Steel Foundries..	0	0	0.1	6.1	—1.5	4.6	6.1	—1.4	—1.8	....	54	0	Earnings picking up.
Colo. Fuel & Iron com..	0	0	2.1	4.0	3.2	4.8	4.6	—3.1	—1.4	....	49	0	Improved steel condition. Pfd. 30% in arrears.

* Fiscal year changed from June 30 to Dec. 31.



MARKET STATISTICS

			Dow Jones Avgs.		50 Stocks			Breadth
			12 Inds.	20 Rails	High	Low	Total Sales	(No Issues)
Monday	Aug.	14.......	131.21	105.28	86.55	85.48	415,800	165
Tuesday	"	15.......	130.64	105.76	87.49	86.59	549,200	184
Wednesday	"	16.......	131.48	106.25	87.75	86.97	601,200	195
Thursday	"	17.......	131.25	105.80	87.83	86.85	893,800	197
Friday	"	18.......	131.30	105.44	87.66	86.92	690,500	176
Saturday	"	19.......	131.20	105.27	87.35	86.98	201,700	135
Monday	"	21.......	132.09	105.63	88.06	86.91	851,400	185
Tuesday	"	22.......	132.50	107.14	98.57	87.65	1,344,200	195
Wednesday	"	23.......	129.94	106.99	89.72	88.46	1,015,300	204
Thursday	"	24.......	131.84	106.68	89.09	88.26	757,100	188
Friday	"	25.......	131.29	106.00	89.13	87.87	727,800	193
Saturday	"	26.......	131.86	106.03	88.15	87.33	233,500	133

Technical and Miscellaneous Inquiries

Bond Markets

O. P. H., Spokane, Wash.—In trading in bonds on the New York Stock Exchange, $1,000 or any multiple thereof is regarded as a round lot and a broker with an order to purchase, say, $20,000 at a certain price must take any $1,000 bond offered at that price. In other words, he cannot bid for $20,000 all or none. The market for a $500 bond is different from that of $1,000 bonds and is generally a point to two points wider. There is no set rule as to the price to be paid for a $500 bond in relation to the price ruling for a $1,000 bond of the same issue. In other words, execution is not made as in odd lots of stocks. Generally, a $500 bond commands ¼ to ½ lower price than a $1,000 bond.

In Case of Non-Delivery

Q.—I own 25 shares of Cosden Oil Co., fully paid, and have received a receipt for my money but no stock certificates and have received no word from my brokers for more than a month. Kindly advise what to do.—B. S. J., Chicago.

Ans.—You certainly should have received your stock certificate by this time. We would suggest that you send the brokerage firm a registered letter asking them to send your certificate to you immediately, and to explain why delivery has not yet been made. If they do not deliver you your certificate, or give a satisfactory explanation, write them again, and state that you will take the matter up with the United States postal authorities. This second letter ought to bring results, but if it does not, take the matter up with the postal authorities.

Increasing Margins

Q.—After a broker has quoted a margin to you and allowed you to buy stock, can he double that margin.—B. W., Washington, D. C.

Ans.—It is rather unusual for a broker to demand more margin on a stock than he originally asked. He is entirely within his rights in doing so, however. If the stock you are holding is not a very high-priced one, it would appear that you have enough margin up. Our suggestion would be for you to get some other brokerage firm to take over your account. The way to do this is to write the other firm, tell them exactly how your account stands and ask them if they will take it over. They will then request you to give them a letter authorizing them to do this.

"Best" Fractions

Q.—When trading in stocks which are the best fractions to buy at and sell at?—F. H., Brooklyn, N. Y.

Ans.—We do not believe that there are any best fractions to buy at and sell at." We believe in selling when it is time to sell and buying when it is time to buy, rather than wait for a fraction one way or the other.

Odd Lot Execution

Q.—I had my broker sell short 50 shares of Crucible Steel at 81⅞ with a 2-point stop loss. The market went up, but instead of covering at 83⅞, he covered at 84⅛. The first time I wrote him calling his attention to the error, he wrote back without telling me why this had been done. I have since then written him again, and now he tells me that the reason most likely is that the market jumped from 83½ to 84 and my odd lot had to be executed at 84⅛.

There are two flaws in this. One is that the market as I distinctly remember, did not jump as he says, and the second is that on numerous other odd lot orders, he executed at my figures and not ⅛ above. This is the only instance I have had of the extra ⅛ in all my dealings with him.—M. B., Troy, N. Y.

Ans.—It is our opinion that in all probability your broker made the best execution possible under the circumstances. You say you sold your Crucible short at 81⅞ and put in a stop loss order two points above, which would make your stop 83⅞. Now in regard to stop loss orders, you must remember that they do not go into effect until 100 shares has sold at the price at which you place your stop and your order then becomes a market order. In this case your order did not go into effect until Crucible sold at 83⅞. The moment it sold there, your broker had a market order to purchase 50 shares and the price at which he would get this would depend on where the next 100 shares sold. If the next 100 sold at 84 your 50 shares would be bought at 84⅛. This in all likelihood is what has occurred. A 100 sold at 83⅞, and the next 100 at 84. That would make the price of 84⅛ for your stock correct.

Margin Requirements

Q.—What are the requirements of the best brokerage houses regarding margins—do they insist on a margin being kept substantially good, or may a stop-order be entered a point or two above exhaust price? My impression has been that the latter is a frequent practice. —C. V. W., Baltimore, Md.

Ans.—Different brokerage houses have different rules regarding margins. Some are very liberal and others very strict. There are some brokerage firms which will accept a ten-point margin on certain stocks and be willing to put in a stop order one or two points above the price at which your margin would be exhausted. They will only do this in the case of certain active issues, however.

There are other firms which will accept a ten-point margin on the more active stocks which, however, they will demand be kept at ten points. In other words, both methods are practiced. It all depends on who your broker is.

COTTON AND GRAIN

Will High Wheat Prices Be Maintained?

By P. S. KRECKER

WITH the worst of the weather damage to wheat pretty well known, the situation is rapidly crystallizing into a question of supply. In the July 22 issue of THE MAGAZINE OF WALL STREET the writer estimated that the world's crops this year would fall 16 per cent. below those of last year. More recently the International Institute of Rome, an admitted authority on crops, with fuller data available, has estimated that the world's yields of wheat would be approximately 25 per cent. less than last season. But that does not necessarily mean that the world's supplies of wheat will be 25 per cent. smaller than they should be to fill requirements. Large surplus stocks remain from the crops of last year. They are shown, as estimated by the most reliable authorities, in the following table:

CARRY-OVER AS OF JULY 1

	Bushels
United States	100,000,000
Canada	50,000,000
Argentina	44,000,000
Australia	90,000,000
India	32,000,000
Russia	340,000,000
Total	656,000,000

On the face of these figures a shrinkage of 25 per cent. in this year's wheat crops does not look alarming. But the largest item in the foregoing table must be eliminated, namely, Russia's 340,000,000 bushels. Its still huge surplus will not be available to the world until a gateway for export movement is opened.

It therefore is necessary to deduct Russia's wheat from the calculation. That would leave an available carry-over of 316,000,000 bushels. Probably further deductions must be made, however, as the wheat of the Southern hemispheres may not all be available. Passing over that point for the moment, let us consider the question of new crop export supplies. The last Government report allowed the United States a winter wheat crop of 455,000,000 bushels and a spring wheat yield of 199,000,000 bushels, a total of 654,000,000 bushels. Domestic consumption, it is estimated, will require 530,000,000 bushels and seed requirements 85,000,000 bushels, a total of 615,000,000 bushels, leaving an indicated exportable surplus from the new crop of only about 40,000,000 bushels.

Authorities disagree regarding the position of Canada. Estimates of her new crop range from 200,000,000 to 250,000,000 bushels. It is quite doubtful that the crop will reach the higher estimate. Conceding Canada the average of these two extremes, she would produce 225,000,000 bushels, of which it is estimated domestic requirements will call for 90,000,000 bushels, leaving an exportable surplus out of this year's crop of 135,000,000 bushels.

Adding the new crop export surpluses of North America, Argentina and Australia would give a total of 275,000,000 bushels. Combining these surpluses with carry-over we would have these totals:

	Bushels
Carry-over of export countries	316,000,000
New crop surpluses of countries	275,000,000
Total export supplies for the current year	591,000,000

European requirements are certain to be much larger than normal. With average crops Europe would require about 580,000,000 bushels of wheat, but her crops are short this year. For example, it now is estimated that France alone will require in excess of 105,000,000 bushels. Most authorities are in-

clined to add at least 10 per cent. to normal European needs of wheat. That would bring the total up to approximately 640,000,000 bushels. Conceding the accuracy of these estimates, the situation would resolve itself into this:

	Bushels
Available world's supplies for 1916	591,000,000
World's requirements for 1916	640,000,000
Indicated deficit	39,000,000

Such a situation is serious from a grain trade standpoint, but is far from desperate. It indicates that values will be maintained at a high level all through the current year, but does not point to anything like famine prices. There is evidently almost enough wheat to go around comfortably. It may be assumed that the Allied governments will pursue the same policy as they did last year, and buy in concert instead of ruinously bidding against each other.

In a previous article, the writer called atteniton to the fact that in past seasons of high prices, the levels touched in August just prior to the start of the movement of North American wheat usually have proved as high as any touched in subsequent months of the crop year. This season differs from those other years of high prices because then there was no world war to complicate the situation, and a parallel should not be drawn too hastily. At the same time it should cause no surprise if wheat values prove to have reached their zenith for the time being. Speculators for a rise would do well to realize that they have a great deal of company on the bull side and should proceed cautiously when operating on the long side of the market.

Is Cotton Too High?

By O. D. HAMMOND

NEW high price marks are almost daily events in the Cotton Market. The daily weather reports throughout August have been against the crop. The weekly government reports suggest a distinct loss in crop prospects. Bullish sentiment has become rampant. The shorts have been driven to cover. The Southern cotton merchant and the large planter are so impressed by the advancing market and the adverse crop conditions that they have not put out those usual hedges which in a normal market supply huge amounts of short contracts at this season. The only selling of any consequence comes from satisfied longs, who from time to time take their profits.

Added to the uneasiness over the prospective supply of new cotton is the surprise with which the trade views the annual reports of consumption and distribution for the year ending August 1.

The annual report of Mr. Hester, secretary of the New Orleans Cotton Exchange, and of the *Chronicle,* when compared in detail, leave no doubt about the depletion of surplus stocks of American cotton.

The total world consumption for the year just ended was 19,573,000, against 18,735,000 bales the previous year.

The total consumption of American grown cotton was 14,812,000, against 12,900,000 bales the previous year.

In other words, the increase in the world's use of cotton has been 838,000 over the previous year, while the increase consumption in American grown cotton has been almost 2,000,000 bales.

In the various compilations of annual statistics there are many variations in the estimates of consumption, due to the lack of information eminating from the Teutonic Allies. German censorship is most rigid on any statistical reports about her cotton supply and consumption. The amount of cotton on hand in Germany and her allied countries at the beginning of the last cotton year is estimated variously at from 500,000 to 1,300,000 bales.

What proportion of these supplies are

consumed and what is now on hand is pure conjecture, though it is safe to say that as long as England retains her present mastery of the sea and her rigid blockade, but little cotton will find its way to Germany or Austria.

During the past year 1,996,000 pounds of powder were exported from the United States to the various warring nations. Each pound of this powder represented one pound nine ounces of raw cotton used in manufacturing.

This item of powder alone accounts for upward of 300,000,000 pounds of cotton, or 600,000 bales.

Aside from the powder item there are other explosives exported which must consume an additional 200,000 bales.

The process of manufacture and the formulae are all trade secrets. Accurate estimates are impossible. American explosive exports must consume somewhere from 750,000 to 1,000,000 bales. Whether American made explosives constitute 25%, 40% or even 50% of the war requirements is a matter of conjecture, but it is hard to believe that with all the world busy making explosives America is making anything more than 25%.

Thus the measure of cotton used in explosives would seem to be somewhere from 2,000,000 to 4,000,000 bales, with 3,000,000 as the most probable figure.

It is true that low grade cotton and linters are used for manufacturing explosives as far as possible. The supply of linters is approximately 1,000,000 bales and is included in all production figures. In addition to linters, many bales of spinning cotton must go into powder, and the ordinary users of linters are forced to use spinnable cotton to substitute the linters. The powder manufacturer has denuded the country of linters, which have advanced from 2c. per pound to 8c. per pound.

In event of peace the immediate requirements of the German Allies would be large. Their need is doubtless urgent. On the other hand, the war requirements would cease abruptly.

With cotton selling at the plantation at 15c. per pound and the price of seed nearly $50 per ton, the farmer is now getting $100 per bale for his product. He can raise it for less than $50.

The incentive to hold his bales from the market is not strong at such prices. In a few weeks the movement will be at its height and the acid test of 16c. cotton will be applied by the weight of the movement from the farm. Then we will know whether 16c. cotton has come to stay or not.

VITAL COTTON STATISTICS FOR LAST FIFTEEN YEARS

Season	Crop: No. of Bales	Crop: Weight, pounds	Price in cents per lb.: High	Low	Average	Area planted, acres	World's Consumption	Cotton grown outside of U. S.	Product per Acre, Pounds.	Consumption of American grown
1915-16	12,953,450	6,640,472,269	13.45	9.20	11.98	39,617,271	19,573	4,620,000	173.4	14,912,000
1914-15	15,067,247	7,771,592,194	10.60	7.25	8.97	35,190,493	18,735	4,812,487	180	12,942,000
1913-14	14,884,801	7,660,449,245	14.50	11.90	13.30	39,477,567	17,164	4,489,169	188	14,036,000
1912-13	14,128,902	7,327,100,905	13.40	10.75	12.30	38,573,441	16,189	5,021,605	186	14,421,000
1911-12	16,043,316	8,260,752,953	13.40	9.20	10.83	37,377,276	16,750	5,057,988	186	15,586,000
1910-11	12,132,332	6,217,382,145	19.75	12.30	15.50	37,581,022	18,566	4,845,970	209	11,885,000
1909-10	10,650,961	5,400,008,818	16.45	12.40	15.37	35,379,358	19,544	5,254,759	168	10,843,000
1908-09	13,828,846	7,115,746,869	13.15	9.00	10.42	33,862,406	19,858	6,419,898	153	13,270,000
1907-08	11,581,829	5,907,070,895	13.55	9.90	11.30	33,512,112	14,478	4,215,667	203	11,688,000
1906-07	13,550,760	6,984,842,670	13.50	9.60	11.48	33,079,425	14,310	4,317,670	170	12,967,000
1905-06	11,319,860	5,788,728,073	12.60	9.85	11.20	31,557,242	15,612	4,464,000	211	11,745,000
1904-05	13,556,841	6,996,731,233	11.65	6.85	9.13	28,808,415	16,435	4,568,629	192	12,664,000
1903-04	10,123,686	5,141,417,938	17.25	9.50	12.58	32,363,690	16,999	5,205,837	207	10,083,000
1902-03	10,758,326	5,471,143,917	13.50	8.30	10.26		16,281	4,186,104		10,788,000
1901-02	10,701,453	5,403,210,514	9⅞	7 13/16	9 3/16		13,416	3,414,454		10,797,000
1900-01	10,425,141	5,319,314,434	12	8 5/16	9¼		14,415	4,033,569		10,200,000

Our Contributing Editors

(Under the above caption we will publish from time to time communications from our readers on market topics or other subjects of financial interest. We believe that the interchange of ideas is one of the fundamentals of progress and are, therefore, always glad to hear from our subscribers on matters which interest them. Make your contributions short and pithy and write only on one side of each sheet of paper used. Names or initials will be used only with the writer's expressed authorization.—Editor.)

Editor, THE MAGAZINE OF WALL STREET:

DEAR SIR: As I note you published on July 8 letter I wrote a few weeks previous, I am "shooting in" another. I wrote, among other things, about being amazed and dumbfounded at the ignorance manifested by so many so-called traders. As I understand it, the purpose of your magazine is to disseminate knowledge on stock market matters. I feel that you should drill into your readers, and you cannot too forcibly do so, the fact that they try to KNOW what they are doing and use at least ordinary intelligence when making stock market commitments. Time and time and time again I have seen men making purchases of stocks in companies about which they knew absolutely nothing, except that maybe it paid a certain per cent dividend. Now I am sure that if I had asked the same individual to purchase a house for the same cost as the stock purchased, do you fancy for a moment that I could have sold it just on my offer to sell? 'Not on your life,' said party would say. 'Well, I'll come out and see it.' Then, if after examination it looked good, he would have gotten his lawyer to examine the title, etc., etc. The fact that I tell him the house pays rent, or a dividend, would not be sufficient. Why, therefore, do not persons, at least those intelligent enough to read your magazine, use the same kind of common sense when buying stock? Personally, I wouldn't buy 100 shares of stock in any company unless I personally investigated their plants, etc. One point on 100 shares is $100, and if every person who could afford to buy 100 shares of stock did this, and then studied the past, present and probable future of the company, I am sure much misery and regret would be averted, and the newspapers which have departments answering financial inquiries would not be flooded with inquiries something like the following:

'I bought 50 shares of Hot Air Pfd. at 50. It is now 20. Will you kindly tell me something about the company? Is it a good investment and should I hold my stock?'

Of course, I am referring to investors, but the same thing applies equally as well to speculators. A speculator buys or sells to make a profit. Well, he should see that as many chances as possible are in his favor and know something about the property he is dealing in, and not simply buy or sell for some such reason as that the market is weak or strong, or it has declined and is due for a rise, or any one of a hundred similar reasons which are very poor reasons indeed as often as not.

Guys I Have Not Met

The market is in the doldrums. Gradually prices seek lower levels, everybody is discouraged and disgusted, and one after another tired holders and losers are throwing over their holdings. The Guys who are, in my opinion, largely responsible, are not sitting around in the office chairs, and so I can't talk to them and have not seen them, but here is what I think they would say:

"You know, boy, we guys are the big fellows who have the money, and are referred to at times vaguely as "They," "The Interests," etc. You know we have millions and millions in vast businesses, and you may recollect, boy, that for a time after President Wilson's election the Democratic administration was not very kind to us. You remember the Clayton law and others of the same kind, and also the rather unusual activity of McReynolds, the attorney general. If you had stocks those days, boy, did you

ever fear to pick up the morning paper thinking maybe in big black headlines you would see that the U. S. Government had instituted suit against your particular company; or did you hold stock maybe in some company which had been certified to as lawful by Wickersham, Taft's Attorney-General, and find some bright day that McReynolds did not think so, and all of a sudden your stock would begin to drop and you would wonder why, because you KNEW it was good, had the assets, etc., when bang! the tickers announced suit entered by the government, that the company was evading the law, etc.? Well, my boy, you know how you felt, and how maybe you wrote your Congressman that it wasn't right, and your wife thought it wasn't right, and your brother-in-law thought it wasn't right and everyone else thought it wasn't right the way the government was trying to bust up everything, and you wrote your Congressman to take due notice that you wouldn't forget that, though you were a Democrat and had voted for them straight, you would remember and soak them all the next time you had a chance. And how things got worse and worse until the big war came along and the market had the final smash. Well, boy, you know how they kind of let up down at Washington, and your stock stayed down more or less because nobody wanted to buy into a law suit. Now, my boy, you know the general public forget soon, but *we don't*. So we are just sitting by and letting things drift, giving them a kick every once in a while when no one is looking. We don't look for much improvement while the defeat of the Democratic party with all its rash legislation is not assured, but later on we may find that Hughes is safe and sane. If so, and the demands of labor for more and more pay and less and less work let up, we may find the stocks are cheap and buy a few, but in the meantime, my boy, I wouldn't do very much, and if you feel you must do something in the market try and be with us; there is a better chance of making money than going with the general public. Good-bye, boy; come in again."

ONE OF YOUR OLD SUBSCRIBERS.

Book Reviews

These books are for sale by THE MAGAZINE OF WALL STREET. Prompt attention will be accorded all orders.

HOLDERS OF RAILROAD BONDS AND NOTES

By Louis Heft. (Price $2 postpaid). For sale by the Magazine of Wall Street.

In this work Mr. Heft, who is a member of the New York bar, takes up the legal rights of holders of railroad bonds and notes, particularly as regards receiverships and reorganizations. While complete enough to be of decided value to the student of railroad securities the book is written in a clear interesting style and can be readily understood and appreciated by those not having very much technical knowledge. It is only too true that many who have a large proportion of their funds invested in railroad securities do not know the legal value of their holdings. For example, rights to priority in payment over other indebtedness, form and negotiability, and special rights and privileges that may be included in the indenture. As a rule, these things are not looked into until a railroad falls into insolvency. If you want to find out how to analyze the legal position of your security, this is an excellent book to study.

"COMMON SENSE IN STOCK SPECULATION"

By Maurice Cowen. (Price, 30c. postpaid.) Book Dept., Magazine of Wall Street.

A book of practical methods and invaluable suggestions for successful investment and speculation. A striking feature of this work is a unique method which safeguards the capital invested in a stock and reduces the possibility of loss to a remote contingency. It is of inestimable value to the speculator.

PRINCIPLES OF ACCOUNTING

By Stephen Gilman, B. S. For sale by Magazine of Wall Street.

The many excellent books that have summed up this large and important subject have been useful to the mature accountant for reference, but have generally been impenetrable to the novice. In spite of laborious reading he cannot see why certain accounts should be debited on certain occasions—his perverse instinct tells him they should be credited, and nowhere can he find the mystery explained. This is simply because he has never had the fundamental conceptions of the science explained to him with the convincing clearness that only a master teacher can employ.

This adds interest to the announcement of a new text which seems destined to hit the nail on the head. It has been prepared by Stephen Gilman, B. S., for several years manager of the credit department of the Tennessee Coal, Iron and Railroad Company. In addition, Mr. Gilman has made a distinguished position for himself as a teacher of accountants and now devotes his entire time to the educational field.

The new book, "Principles of Accounting," is the result of long and careful work. In addition to the exposition there are extensive illustrations based on actual practice. A strikingly attractive device is the use of diagrams and charts showing the relation of various accounts to each other, the organization of business, etc. At the end of each chapter is a series of questions by which the student can quickly test his understanding and retention of the material just studied.

Teachers will be especially attracted by the author's thoroughly modern point of view. Without any suspicion of bombast he makes the student feel that accounting has become a great and distinguished profession. It has in fact developed from mere bookkeeping to a commanding position in the business world. The vast schemes of modern industry and finance await the approval of the accountant before they are set in motion. By his expert opinion they stand or fall. No smaller conception of the science of accounting than this deserves to be presented to the student of today.

"Principles of Accounting" is published by LaSalle Extension University, Chicago, and forms a part of the material of their course in Higher Accountancy.

FINANCIAL INDEPENDENCE AND HOW TO ATTAIN IT

By Henry Colman Cutting. For sale by The Magazine of Wall Street; 75 cents postpaid.

This book takes up the money question from various angles and draws the interesting conclusion that "The banks have displaced by 'bank credit' government-issued money as the medium of exchange, so that the banks, instead of the Government control the coinage or issuance of our present-day money." Mr. Cutting suggests as a remedy that bank credit should be put under Government control, so that it may be extended impartially for the benefit of all. It is pointed out that under the present system money stringencies and panics could be brought about at will by the concerted action of a few banking groups. While the reader may not agree with all the ideas presented, the book throws some interesting new lights on an old subject.

POOR'S MANUAL OF PUBLIC UTILITIES

Poor's Manual Co. (Price $10. For sale by Magazine of Wall Street.)

A complete and up-to-date financial summary of practically every public utility company in the United States and Canada in which there is public interest.

A new feature of the manual is the "Margin of Safety" over interest or dividend requirements of individual stocks and bonds. This margin is a practical rating of securities based only on facts.

The manual gives general information revised to June 15, 1916; income accounts and balance sheets are given as of December 31, 1915, and some as late as April 30, 1916. There are 2,500 pages.

Wall Street Jottings

Missouri Pacific

A recent circular issued by Messrs Paine, Webber & Company, 25 Broad Street, New York, goes into the present position and future prospects of Missouri Pacific common stock in great detail. The information contained therein will be of great value to any holder of this security. In writing please mention THE MAGAZINE OF WALL STREET.

Questions and Answers

The current number of Questions and Answers "published by J. Frank Howell of 52 Broadway" contains much interesting matter for the investor. Among the subjects touched upon are $100 Bond in Partial Payments, Munition Stock, A Concise Analysis of Erie, Curb Stocks, Public Utilities, etc. Copies can be had free on mention of THE MAGAZINE OF WALL STREET.

National City Bank

The National City Company has taken over the Bond Department of the National City Bank of New York and has purchased the bond business of N. W. Halsey & Co. The National City Company occupies offices in the National City Bank building and is closely affiliated with the National City Bank. The quality of service which has been rendered in the past by the individual organizations will be further enhanced by the facilities of the new company.

Stock Department

Michaelis & Co. have opened a department to trade exclusively in industrial stocks and will take pleasure in forwarding their weekly list, quoting various industrial stocks in which they have buying and selling orders.

Partial Payment Precautions

John Muir & Co., 61 Broadway, have issued a pamphlet on Partial Payment Precautions in which they discuss the steps which the investor should take to protect himself when considering entering upon a partial payment plan for purchasing securities. The booklet will be mailed to those interested upon application and mention of THE MAGAZINE OF WALL STREET.

Signal Commerce Motor Truck

A very attractive circular on Signal Commerce Motor Truck Company of Detroit, Michigan, has been issued by Oscar Alexander & Co., 25 Broad St., New York City. This circular takes up the prospects for the motor truck industry, as well as for this company. Copies will be sent upon mention of THE MAGAZINE OF WALL STREET.

Steel Common

Eastman, Dillon & Co., 71 Broadway, have issued a four-page circular on the common stock of the U. S. Steel Corporation. It goes exhaustively into the matter of assets originally behind the company's securities as contrasted with assets at the present time and estimates the present investment value of the common stock. The circular will be mailed upon request and mention of this publication.

United Western Oil.

Messrs. Carroll, Felter & Co. announce that the United Western Oil Co. has struck oil in its new well on the McKittrick property. Eighty acres more have been secured in the Lost Soldier Field in Wyoming. The company now has four producing wells on their California properties and a total proven tract in the Lost Soldier district in Wyoming of 840 acres.

Stock Market Manual

G. W. Field & Co., 19 Congress street, Boston, Mass., are issuing a pocket manual of the stock market covering the last six months, which gives the highest and lowest monthly prices of all stocks sold on the Boston Exchange, the Boston Curb, as well as the principal New York stocks. An eight year range of prices for railroad bonds, miscellaneous stocks and mining, together with brief information of Boston mining stocks, available in no other form to the investor. Copies of this booklet will be sent without charge upon mention of THE MAGAZINE OF WALL STREET.

Investment Opportunities

The current number of Investment Opportunities, published by Slattery & Co., 40 Exchange Place, New York City, features, "A Business Man's Investment Yielding 6⅔% Net," Marine Pfd., Cuban-American Sugar, Saxon Motor, The Standard Oils, Cosden Oil & Gas, U. S. Steel, Maxwell Common, Union Pacific, and N. Y. Air Brake. These securities are treated in a manner most interesting to the average investor. Copy of this booklet will be sent without charge upon mention of THE MAGAZINE OF WALL STREET.

T. E. Noyes & Company

Mr. Norman Merriman has sold his interest in the firm of Noyes, Merriman & Co., 27 William street, New York. The business will be carried on under the firm name of T. E. Noyes & Co. at the same address.

Michigan Limestone & Chemical

Morton Lachenbruch & Co., Equitable building, New York City, are issuing a circular on Michigan Limestone & Chemical which goes into the profits to be had in supplying the big steel companies with their raw material. This firm is also issuing a circular on Charcoal Iron of America, and Republic Motor Truck. In requesting these circulars, kindly mention THE MAGAZINE OF WALL STREET.

Columbia Mines Company

An attractive mining investment now being offered by T. E. Noyes & Co., 27 William street, New York, is the Columbia Mines Co. This property is on the Comstock Lode, and has been worked in a small way for many years. The present offering of stock is to obtain funds for working the property on a large scale. The stock is listed on the New York Curb, and is recommended by this firm as possessing excellent investment and speculative qualities. A circular on this property will be sent upon mention of THE MAGAZINE OF WALL STREET.